



**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2012

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2012

CONTENTS

	PAGE
FINANCIAL SECTION:	
Independent auditors' report	1-2
Statement of receipts and disbursements	3
Notes to statement of receipts and disbursements	4-14
SUPPLEMENTARY INFORMATION:	
Schedule of expenditures of federal awards	15-17
Notes to schedule of expenditures of federal awards	18
COMPLIANCE SECTION:	
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	19-21
Independent auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133	22-27
Schedule of findings and questioned costs	28-132
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	Exhibit I
CORRECTIVE ACTION PLAN	Exhibit II



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying Statement of Receipts and Disbursements (the Statement) of the Department of Health of the Commonwealth of Puerto Rico (the PRDH) for the year ended June 30, 2012. This Statement is the responsibility of the PRDH's management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall Statement's presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the Statement, the PRDH prepares its Statement of Receipts and Disbursements on a receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly, in all material respects, the receipts and disbursements of the Department of Health of the Commonwealth of Puerto Rico for the year ended June 30, 2012, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued our report dated August 25, 2015, on our consideration of the PRDH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our audit was conducted for the purpose of forming an opinion on the PRDH's Statement of Receipts and Disbursements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the Statement of the PRDH. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Statement. The information has been subjected to the auditing procedures applied in the audit of the Statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement or to the Statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the Statement as a whole.

As discussed in Note 5 to the Statement, the PRDH has expended certain federal grant funds in a manner that may have violated certain of the restrictive provisions of the related grants. The possible outcome of this matter is uncertain at this time. If expenditures are disallowed as a result of this situation, the PRDH may be subject to possible federal claims for refunds of grants monies.

Kreston TLSR, LLC

August 25, 2015
License No. 10
San Juan, Puerto Rico

The stamp number E196701 was
affixed to the original of this report.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2012**

Program	State funds		Federal funds		(Totals Memorandum only)	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Auxiliary Services	\$ 9,932,000	\$ 9,084,990	\$ -	\$ -	\$ 9,932,000	\$ 9,084,990
Clinical Laboratory Services	3,708,000	3,437,616	156,381	279,840	3,864,381	3,717,456
Economic Aid to Medical Indigent	765,000	765,000	182,535	58,822	947,535	823,822
Health Institutions	51,183,000	58,302,129	1,333,462	70,700	52,516,462	58,372,829
Health Promotion and Protection	25,747,000	27,497,193	19,918,331	32,030,171	45,665,331	59,527,364
Health Reform (Health Insurance)	219,000	122,326	1,086,288,724	1,089,135,348	1,086,487,724	1,089,257,674
Health Service Activities	148,611,378	164,150,575	-	-	148,611,378	164,150,575
Indirect Costs	6,301,827	6,376,117	-	-	6,301,827	6,376,117
Integrated Services to Communities	635,000	565,328	41,480,953	52,487,008	42,115,953	53,052,336
Intellectual Disability	39,050,000	34,400,099	-	-	39,050,000	34,400,099
Management and Administration	9,903,000	10,458,101	10,955,939	11,424,900	20,858,939	21,883,001
Planning, Evaluation and Statistics in the Health Area	3,678,000	3,136,566	-	-	3,678,000	3,136,566
Registration and Issuance of Documents of the Demographic Register	7,036,000	6,722,506	-	-	7,036,000	6,722,506
Regulation and Accreditation of Health Facilities	2,622,000	1,400,325	-	-	2,622,000	1,400,325
Regulation and Certification of Health Professionals	9,326,000	8,170,502	-	-	9,326,000	8,170,502
Regulations on Health Environment	9,578,000	14,053,680	2,164,550	864,885	11,742,550	14,918,565
Special Accounts	76,776,040	57,656,330	-	-	76,776,040	57,656,330
Special Supplemental Nutrition Program for Women, Infants, and Children	663,000	663,000	246,453,271	268,588,770	247,116,271	269,251,770
University Adult Hospital	86,259,000	87,418,406	-	515	86,259,000	87,418,921
University Pediatric Hospital	19,355,000	22,082,833	-	-	19,355,000	22,082,833
	\$ 511,348,245	\$ 516,463,622	\$ 1,408,914,146	\$ 1,454,940,959	\$ 1,920,262,391	\$ 1,971,404,581

See accompanying notes to statement of receipts and disbursements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Organization

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

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

Health Facilities and Service Administration

Until June 30, 1999, above objectives was performed principally through the PRDH's main component unit named Health Facilities and Services Administration (HFSA).

The HFSA was a governmental instrumentality of the Commonwealth created by Act No. 26 of November 13, 1975, as amended. Pursuant to such Act, the HFSA became a component unit of the PRDH.

On August 7, 1998, the Legislature of the Commonwealth enacted Act No. 187 to repeal the law that created HFSA effective on or before June 30, 1999 and consolidated it with the PRDH. Said Act empowered the Secretary of Health, in conjunction with the Puerto Office of Management and Budget and the approval of the Governor of Puerto Rico, to carry out the necessary measures to consolidate the facilities and obligations of the HFSA with the Department. Additionally, the Act authorized the Secretary of Health and the Secretary of Transportation and Public Works to dispose of the health facilities, either through sale or lease, in accordance with the regulations established for these purposes. Therefore, the HFSA operated until June 30, 1999, and the Department continued the operations of the health facilities that were not privatized. The operation of such facilities has been financed from an annual budget from the Department of the Treasury of the Commonwealth.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting entity (continued)

Health Care Reform

On February 1, 1993, the Commonwealth created the Health Care Reform (Reform) with the purpose of providing citizens with a better uniform care system at reasonable cost. The Reform changed the functions of the Department and the HFSA from health care providers to regulators and evaluators of health services provided by private administrative corporations under the unique services delivery system. The health services would be provided in the physical facilities and with medical equipment acquired by the Department of Health as well as by privately owned health care units.

The health plan has already been established in all regions and municipalities of Puerto Rico.

On September 5, 1996, the Legislature of Puerto Rico signed Act 190 to regulate the process of privatization of the Governmental Health Program. On July 6, 1997, Act 190 was amended. Under Act 190, as amended, the PRDH, the HFSA and the Government Development Bank of Puerto Rico (GDB) started a plan to privatize all government owned health facilities, most of them operated by the HFSA. This privatization process was mainly directed to the sale, lease or sublease of the facilities in order to accomplish the main objective of the Health Care Reform which was to change the function of the Department from provider to regulator and evaluator, and assume the role of promoting and procuring a better health system for the people of Puerto Rico.

Pursuant to Act No. 190 of September 5, 1996, as amended, the PRDH, the HFSA, and the GDB sold most of the health facilities to the private sector during the year ended June 30, 1999. The GDB, as liquidator, received the proceeds of each sale and transferred part of these to the HFSA.

Oversight responsibilities of the Secretary of the PRDH

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting entity (continued)

Puerto Rico Medical Services Administration (PRMSA) – is a public corporation and an instrumentality of the Commonwealth of Puerto Rico ascribed to the PRDH. It was created by Act No 66 dated June 22, 1978, as amended, to plan, organize, and administer the centralized health services, provided in support of the hospital and other functions, offered by the member institutions and users of the medical complex known as the Puerto Rico Medical Center. The PRMA's financial statements are blended in the Commonwealth's fund financial statements as an enterprise fund.

Puerto Rico Health Insurance Administration (PRHIA) – was created for implementing, administering, and negotiating a health insurance system through contracts with insurance underwriters to provide quality medical and hospital care to low income individuals, employees of the Commonwealth and policemen who voluntarily subscribe to the Puerto Rico health insurance medical plan. PRHIA financial support is provided through legislative appropriations of the Commonwealth.

Cardiovascular Center Corporation of Puerto Rico and the Caribbean (CCCPRC) – is a public corporation created by Act No. 51 of June 30, 1986. Pursuant to such Act, CCCPRC became a component unit of the PRDH. The purpose of the CCCPRC is to provide special treatment to patients suffering from cardiovascular diseases. The Commonwealth provides financial support to the CCCPRC through legislative appropriations.

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting entity (continued)

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

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

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

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

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

Basis of presentation

The accounts of the PRDH are organized on the basis of two fund types: state funds and federal funds. The PRDH maintains appropriations for several individual state and federal funds within each fund type. 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 the funds through which most functions typically are financed. Federal funds reflect the federal financial assistance managed by the PRDH from programs funded by the Federal Government.

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

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

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

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

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

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

Health Reform (Health Insurance) – This fund is used to account for the resources and expenditures related to the monitoring of the public policy of the Health Card and oversees the medical and hospital services through private or government health facilities in each municipality; to ensure that all citizens, regardless of economic status, have access to health services 24 hours.

Health Service Activities – This fund is used to account for the resources and expenditures related to the health care provided by the PRDH to all the citizens throughout their health care facilities and billed to their health insurance providers.

Indirect Costs – This fund is used to account for the resources and expenditures related to the reimbursement of expenditures paid from state funds for the administration of federal financial assistance programs. Generally, each year the PRDH submits a proposal for an indirect cost allocation plan for approval by the Health and Human Services Administration (HHS) of the United States, the Audit Cognizant Agency. The latest approved rates by the HHS, which became effective on July 1, 2011 and applicable until June 30, 2012, are 3.6% for health facilities, 12% for Environmental Health, 6% for Medical Assistance, 7.6% for Health Prevention and Promotion, and 6.8% for the Early Intervention program for Infants and Toddlers with Disabilities.

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

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

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

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

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

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

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

Regulation on Health Environment - This fund is used to account for resources and expenditures related to the implementation and compliance with the sanitary laws and regulations established by the PRDH.

Special Accounts – This fund is used to account for resources or funds that are deposited for specific purposes in accordance with its applicable laws. They may come from service fees, donations from citizens and private entities, other collections from governmental entities, and authorizations by the Legislature of the Commonwealth, which are designed to attain specific purposes. The expenditures charged to these accounts are authorized by legislation previously approved.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

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

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

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

Basis of accounting

The PRDH follows a receipts and disbursements method of accounting to account for all funds administered. Under this method, cash or funds transferred-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 PRDH'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 PRDH. 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 as required throughout the year. Effective June 30, 2001, all unencumbered budget appropriations of state funds lapse after the end of each fiscal year.

The Statement of Receipts and Disbursements is presented at the programmatic level. However, budgetary control and accounting is exercised at a lower level to provide management with detailed control over expenditures at the appropriate budget level.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk financing

The Department of the Treasury of the Commonwealth purchases commercial insurance covering casualty, theft, tort, claims, and other losses on behalf of the PRDH. For workers' compensation the State Insurance Fund Corporation, a component unit of the Commonwealth, provides the workers compensation to the PRDH's employees.

Totals memorandum only

The totals memorandum columns are presented only to facilitate additional analysis. These columns represent a summation of the combined receipts and disbursements. Consequently, amounts shown in these columns are not comparable to a consolidation and do not represent the total receipts and disbursements of the PRDH.

Subsequent events

Management has evaluated subsequent events through August 25, 2015, the date the Statement was available to be issued.

2. RETIREMENT PLANS

The Employee's Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (the System) is a cost-sharing multiple employer defined benefit pension plan sponsored by the Commonwealth of Puerto Rico. All regular full time public employees of the PRDH under age fifty-five (55) at the date of employment become members of the System as a condition to their employment.

The System provides retirement, death and disability benefits pursuant to Act 447 of May 15, 1951, as amended. Disability retirement benefits are available to members for occupational and non-occupational disability benefits. Retirement benefits depend upon age at retirement and the number of years of creditable service. Benefits vest after ten years of plan participation.

No benefits are payable if the participant receives a refund of higher accumulated contributions. Members who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service or members who have attained an age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

2. RETIREMENT PLANS (CONTINUED)

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

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

On September 24, 1999, an amendment to Act 447 of May 15, 1951, which created the Retirement System, was enacted with the purpose of establishing a new pension program (System 2000). Employee participation in the current system as of December 31, 1999, may elect to stay in the defined benefit plan or transfer to the new program. Persons joining the PRDH on or after January 1, 2000, will only be allowed to become members of System 2000. System 2000 will reduce the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

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

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

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

Effective July 1, 2011, the Commonwealth of Puerto Rico implemented increases in the contributions to the Retirement System that the Retirement System Commission approved for all governmental employees. These increases consist of the following:

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

2. RETIREMENT PLANS (CONTINUED)

- An increase in the employer's contribution from 9.275% to 10.275%, effective July 1, 2011.
- An increase in the employer's annual contribution of 1% of the regular retribution received by the participants, beginning on July 1, 2012 and ending on June 30, 2016, and an annual increase of the employer's contribution of 1.25% of the regular retribution received by the participants beginning on July 1, 2016 and ending on June 30, 2021.

Total contributions made for the pension plan during the year ended June 30, 2012, amounted to \$13,559,843 for employees paid with state and federal funds.

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

3. COMPENSATED ABSENCES

All employees accrue regular vacation and sick leave at 2.5 days and 1.5 days per calendar month, respectively. The allowed maximum 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.

4. COMMITMENTS

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

Rent paid during the fiscal year ended June 30, 2012, under these lease agreements amounted to approximately \$26.1 million. Information of the future minimum rental payments required under these operating leases was not available.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. CONTINGENCIES

Litigation and claims - The PRDH is a defendant in lawsuits arising in the normal course of operations. The Commonwealth's Act 104 dated June 30, 1955, as amended, establishes that any claims and lawsuits initiated against an agency or instrumentality of the Commonwealth, or against any of its employees, directors, majors, and others, may be represented by the Department of Justice of the Commonwealth. Any adverse claim to the defendants is to be paid by the General Fund of the Commonwealth. However, the Secretary of the Treasury of the Commonwealth has the discretion of requesting reimbursement of the funds expended for these purposes from public corporations, governmental institutions, or municipalities of the defendants.

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

Substantially all grants are subject to financial and compliance audits by the grantor agencies. All disallowed costs as a result of these audits become a liability of the fund that receives the grant and must be reimbursed to the Federal Government from the PRDH's local funds. The Schedule of Findings and Questioned Costs for the year ended June 30, 2012 disclosed several instances of noncompliance with applicable laws and regulations and internal accounting and administrative control structure. Since the PRDH's statement of net assets is not presented, no provision for any liability has been reported for possible federal claims for refunds of those grant funds. The amount, if any, of expenditures which may be disallowed cannot be determined at this time.

6. CASH WITH FINANCIAL INSTITUTIONS AND WITH FISCAL AGENT (DEPARTMENT OF THE TREASURY OF THE GOVERNMENT OF PUERTO RICO)

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

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

<u>Federal Grantor / Pass-Through Grantor /Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursement</u>
<u>U.S. Department of Agriculture</u>		
Direct Programs:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 268,588,770
Special Supplemental Nutrition Program for Women, Infants, and Children - Recovery Act	10.557	<u>22,780</u>
Sub-total for U.S. Department of Agriculture		<u>268,611,550</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Program:		
Housing Opportunities for Persons with AIDS	14.241	<u>58,822</u>
<u>U.S. Department of Justice</u>		
Direct Program:		
Crime Victim Assistance	16.575	<u>(31,693)</u>
<u>U.S. Environmental Protection Agency / Office of Water</u>		
Direct Programs:		
State Public Water System Supervision	66.432	811,702
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>(432,444)</u>
Sub-total for U.S. Environmental Protection Agency		<u>379,258</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Special Education-Grants for Infants and Families	84.181	3,621,675
Special Education-Grants for Infants and Families - Recovery Act	84.393	<u>2,033,107</u>
Sub-total for U.S. Department of Education		<u>5,654,782</u>
<u>U.S. Department of Health and Human Services</u>		
Direct Programs:		
Clinical Laboratory Improvements	42.493	279,840
Medical Reserve Corps Small Grant Program	93.008	5,000
Public Health Emergency Preparedness	93.069	12,189,813
Environmental Public Health and Emergency Response	93.070	485,627
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1,623
Maternal and Child Health Federal Consolidated Programs	93.110	<u>66,316</u>
Sub-total carried forward (U.S. Department of Health and Human Services)		13,028,219

(Continue)

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

<u>Federal Grantor / Pass-Through Grantor /Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursement</u>
<u>U.S. Department of Health and Human Services (continued)</u>		
Sub-total of Federal Grantor Programs from previous page		\$ 13,028,219
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	579,271
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	195,526
Injury Prevention and Control Research and State and Community Based Programs	93.136	545,645
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	544,866
Affordable Care Act (ACA) Abstinence Education Program	93.235	1,607,498
Universal Newborn Hearing Screening	93.251	75,261
Children's Hospitals Graduate Medical Education Payment Program	93.255	70,700
Immunization Cooperative Agreements	93.268	4,460,989
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	1,862,767
State Partnership Grant Program to Improve Minority Health	93.296	79,101
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	199,050
PPHF 2012 National Public Health Improvement Initiative	93.507	232,047
Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Prevention to Work	93.520	15,848
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements;PPHF	93.521	17,140
The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	597,928
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	142,738
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544	196,860
Refugee and Entrant Assistance-Wilson/Fish Program	93.583	58
Immunization Cooperative Agreements - Recovery Act	93.712	93,024
Preventing Healthcare-Associated Infections - Recovery Act	93.717	156,949
Sub-total carried forward (U.S. Department of Health and Human Services)		24,701,485

(Continue)

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

<u>Federal Grantor / Pass-Through Grantor /Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursement</u>
<u>U.S. Department of Health and Human Services (continued)</u>		
Sub-total of Federal Grantor Programs from previous page		\$ 24,701,485
State Grants to Promote Health Information Technology - Recovery Act	93.719	3,258,167
Prevention and Wellness-State, Territories and Pacific Islands - Recovery Act	93.723	635,495
Communities Putting Prevention to Work: Chronic Disease Self- Management Program - Recovery Act	93.725	156,134
Children's Health Insurance Program	93.767	175,140,459
Medicare-Hospital Insurance - Recovery Act	93.773	515
Medical Assistance Program	93.778	913,300,325
Medical Assistance Program - Recovery Act	93.778	694,564
National Bioterrorism Hospital Preparedness Program	93.889	5,668,592
HIV Care Formula Grants	93.917	33,972,309
HIV Care Formula Grants - Recovery Act	93.917	97,400
Healthy Start Initiative	93.926	253,927
HIV Prevention Activities-Health Department Based	93.940	3,702,727
HIV Demonstration, Research, Public and Professional Education Projects	93.941	115,058
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	1,586,247
Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	820,837
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2,115,581
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	1,399,963
Preventive Health and Health Services Block Grant	93.991	925,737
Maternal and Child Health Services Block Grant to the States	93.994	<u>11,631,661</u>
Sub-total for U.S. Health and Human Services		<u>1,180,177,183</u>
<u>U.S. Social Security Administration</u>		
Direct Program:		
Social Security Research and Demonstration	96.007	<u>91,057</u>
Grand Total of Expenditures of Federal Awards		<u>\$ 1,454,940,959</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Department of Health of the Commonwealth of Puerto Rico (the PRDH) under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the PRDH, it is not intended to and does not purport to present the financial position, changes in net assets, or cash flows of the PRDH.

2. ACCOUNTING BASIS

Expenditures reported on the Schedule are reported on the receipts and disbursements method of accounting. They are drawn primarily from the PRDH's internal accounting records, which are the basis for the PRDH's Statement of Receipts and Disbursements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. CLUSTERS

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

<u>Agency</u>	<u>Federal Program</u>	<u>CFDA Number</u>
U.S. Health and Human Services	Immunization Cooperative Agreements	93.268
	Immunization Cooperative Agreements – Recovery Act	93.712
U.S. Department of Education	Special Education-Grants for Infants and Families	84.181
	Special Education-Grants for Infants and Families – Recovery Act	84.393

4. RELATIONSHIP TO THE STATEMENT

Expenditures included in the Schedule agree with the amounts included in the accompanying Statement of Receipts and Disbursements.



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

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

We have audited the Statement of Receipts and Disbursements (the Statement) of the Department of Health of the Commonwealth of Puerto Rico (the PRDH) for the year ended June 30, 2012, and have issued our report thereon dated August 25, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the Statement discloses that, as described in Note 1 to the Statement, the PRDH prepares its Statement on the receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

Management of the PRDH is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the PRDH's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the PRDH's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the PRDH's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

**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)**

Internal Control over Financial Reporting (continued)

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 PRDH's Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 2012-01, 2012-02 and 2012-05 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 2012-03 and 2012-04 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PRDH's Statement is free of 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 the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as Findings No. 2012-06 through 2012-35.

The PRDH's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the PRDH's response and, accordingly, we express no opinion on it.



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

**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)**

This report is intended solely for the information and use of the management and officials of the Department of Health, the Commonwealth of Puerto Rico, federal awarding agencies, pass-through entities, and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Kreston TLSR, LLC

August 25, 2015
License No. 10
San Juan, Puerto Rico

The stamp number E196702 was
affixed to the original of this report.



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the Department of Health of the Commonwealth of Puerto Rico (the PRDH) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the PRDH's major federal programs for the year ended June 30, 2012. The PRDH's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the PRDH's management. Our responsibility is to express an opinion on the PRDH's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PRDH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the PRDH's compliance with those requirements.

As described in Findings No. 2012-05 through 2012-09, 2012-11, 2012-13 through 2012-17, 2012-19 through 2012-25, and 2012-27 through 2012-36 in the accompanying schedule of findings and questioned costs, the PRDH did not comply with the requirements that are applicable to its major programs, as follow:



Honorable Ana Rius, PhD.
 Secretary
 Commonwealth of Puerto Rico
 Department of Health
 San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
 APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Compliance (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
2012-05	Allowable Costs / Cost Principles	CFDA 10.557 CFDA 93.069 CFDA 93.268 / CFDA 93.712 CFDA 93.778 CFDA 93.889 CFDA 93.917 CFDA 93.994	Special Supplemental Nutrition Program for Women, Infants, and Children, Public Health Emergency Preparedness, Immunization Cooperative Agreements, Medical Assistance Program, National Bioterrorism Hospital Preparedness Program, HIV Care Formula Grants, and Maternal and Child Health Services Block Grant to the States
2012-06, 2012-07, 2012-08	Cash Management	CFDA 10.557 CFDA 93.778 CFDA 93.889	Special Supplemental Nutrition Program for Women, Infants, and Children, Medical Assistance Program, and National Bioterrorism Hospital Preparedness Program
2012-09, 2012-11	Eligibility	CFDA 10.557 CFDA 93.778	Special Supplemental Nutrition Program for Women, Infants, and Children, and Medical Assistance Program,
2012-13	Equipment and Real Property Management	CFDA 10.557 CFDA 93.069 CFDA 93.778 CFDA 93.889	Special Supplemental Nutrition Program for Women, Infants, and Children, Public Health Emergency Preparedness, Medical Assistance Program, and National Bioterrorism Hospital Preparedness Program



Honorable Ana Rius, PhD.
 Secretary
 Commonwealth of Puerto Rico
 Department of Health
 San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
 APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Compliance (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
2012-14, 2012-15, 2012-16	Matching, Level of Effort, Earmarking	CFDA 93.268 / CFDA 93.712 CFDA 93.917 CFDA 93.994	Immunization Cooperative Agreements, HIV Care Formula Grants, and Maternal and Child Health Services Block Grant to the States
2012-17, 2012-19, 2012-20, 2012-21, 2012-22, 2012-23, 2012-24	Period of Availability	CFDA 10.557 CFDA 93.069 CFDA 93.268 / CFDA 93.712 CFDA 93.778 CFDA 93.889 CFDA 93.917 CFDA 93.994	Special Supplemental Nutrition Program for Women, Infants, and Children, Public Health Emergency Preparedness, Immunization Cooperative Agreements, Medical Assistance Program, National Bioterrorism Hospital Preparedness Program, HIV Care Formula Grants, and Maternal and Child Health Services Block Grant to the States
2012-05	Procurement and Suspension and Debarment	CFDA 10.557 CFDA 93.069 CFDA 93.268 / CFDA 93.712 CFDA 93.778 CFDA 93.889 CFDA 93.917 CFDA 93.994	Special Supplemental Nutrition Program for Women, Infants, and Children, Public Health Emergency Preparedness, Immunization Cooperative Agreements, Medical Assistance Program, National Bioterrorism Hospital Preparedness Program, HIV Care Formula Grants, and Maternal and Child Health Services Block Grant to the States



Honorable Ana Rius, PhD.
 Secretary
 Commonwealth of Puerto Rico
 Department of Health
 San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
 APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Compliance (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
2012-25	Program Income	CFDA 93.994	Maternal and Child Health Services Block Grant to the States
2012-27, 2012-28, 2012-29, 2012-30 2012-31	Reporting	CFDA 93.069 CFDA 93.268 / CFDA 93.712 CFDA 93.778 CFDA 93.889 CFDA 93.917 CFDA 93.994	Public Health Emergency Preparedness, Immunization Cooperative Agreements, Medical Assistance Program, National Bioterrorism Hospital Preparedness Program, HIV Care Formula Grants, and Maternal and Child Health Services Block Grant to the States
2012-32	Subrecipient Monitoring	CFDA 93.069 CFDA 93.889	Public Health Emergency Preparedness, and National Bioterrorism Hospital Preparedness Program
2012-33, 2012-34, 2012-35, 2012-36	Special Tests and Provisions	CFDA 10.557 CFDA 93.778	Special Supplemental Nutrition Program for Women, Infants, and Children, and Medical Assistance Program

In our opinion, except for the noncompliance described in the preceding paragraph, the PRDH complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2012-03, 2012-10, 2012-18, and 2012-26.



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

Management of the PRDH is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the PRDH's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 PRDH's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 2012-05 through 2012-09, 2012-11, 2012-13 through 2012-17, 2012-19 through 2012-25, and 2012-27 through 2012-36 to be material weaknesses.



Honorable Ana Rius, PhD.
Secretary
Commonwealth of Puerto Rico
Department of Health
San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance (continued)

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 2012-01 through 2012-04, 2012-10, 2012-12, 2012-18, and 2012-26 to be significant deficiencies.

The PRDH's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the PRDH's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and officials of the Department of Health, the Commonwealth of Puerto Rico, federal awarding agencies, pass-through entities, and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Kreston TLSR, LLC

August 25, 2015
License No. 10
San Juan, Puerto Rico

The stamp number E196703 was
affixed to the original of this report.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the Statement of Receipts and Disbursements expressed that such statement was prepared using the receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
2. Deficiencies on internal control over financial reporting were identified, three (3) of which were considered material weaknesses and two (2) of which were considered significant deficiencies.
3. Deficiencies on internal control over compliance with requirements applicable to major federal award programs were identified, twenty-eight (28) of which were considered material weaknesses and eight (8) were considered significant deficiencies.
4. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed the following opinions on each major program:
 - a. Unqualified:

CFDA 84.181/84.393	Special Education-Grants for Infants and Families
CFDA 93.767	Children's Health Insurance Program
 - b. Qualified:

CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA 93.069	Public Health Emergency Preparedness
CFDA 93.268/93.712	Immunization Cooperative Agreements
CFDA 93.778	Medical Assistance Program
CFDA 93.889	National Bioterrorism Hospital Preparedness Program
CFDA 93.917	HIV Care Formula Grants
CFDA 93.994	Maternal and Child Health Services Block Grant to the States
5. The Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.
6. The audit disclosed findings required to be reported under OMB Circular A-133.
7. A threshold of \$4,364,822 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITORS' RESULTS (CONTINUED)

8. The PRDH's major programs were the following:

<u>Name of federal grant</u>	<u>CFDA number</u>	<u>Questioned Costs</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 1,534,143
Special Supplemental Nutrition Program for Women, Infants, and Children – Recovery Act	10.557	-
Special Education-Grants for Infants and Families	84.181	11,475
Special Education-Grants for Infants and Families – Recovery Act	84.393	238,213
Public Health Emergency Preparedness	93.069	1,076,901
Immunization Cooperative Agreements	93.268	276,031
Immunization Cooperative Agreements – Recovery Act	93.712	-
Children's Health Insurance Program	93.767	15,551
Medical Assistance Program	93.778	2,177,737
Medical Assistance Program – Recovery Act	93.778	682,064
National Bioterrorism Hospital Preparedness Program	93.889	159,294
HIV Care Formula Grants	93.917	19,064
Maternal and Child Health Services Block Grant to the States	93.994	<u>257,481</u>
		<u>\$6,447,954</u>

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-01 DIBURSEMENTS – STATE FUNDS

Category

Internal control

Condition found

During the year ended June 30, 2012, the PRDH charged expenditures to state programs amounting to \$348,218,798 (excluding \$168,244,824 related to payroll expenditures, transfers to the Special Payers and transfers to the Puerto Rico Treasury Department). To test compliance with the state laws and regulations, we selected a sample of 20 charges to state funds that totaled \$21,844,119 (6%). In testing compliance and internal controls over allowability and procurement requirements for state funds, we noted the following exceptions:

1. In five (5) of the twenty (20) disbursements selected (25%), the PRDH failed to provide the procurement file (contract, quotes, bid summary form, and other related documents) for the following vouchers: 00005882, 00014345, 00016423, 00031062, and 00035893. The costs related to this condition amounted to \$263,655.
2. In one (1) of the twenty (20) disbursements selected (5%), only one quote was available for examination related to the voucher 00028283. The cost related to this condition amounted to \$72,508.
3. In three (3) of the twenty (20) disbursements selected (15%), we noted that the work performed by vendor was before the contract was signed (Payment Resolution Agreement). This condition was noted for the transactions with the following vouchers: 00007786, 00020064, and 00025046.
4. In nineteenth (19) of the twenty (20) disbursement selected (95%), the cancelled checks were not available for examination.

Criteria

Article VI, Section 9 of the Constitution of the Commonwealth of Puerto Rico states that the use of property and public funds will be used only for public activities and for the management and operation of the institutions of the Commonwealth, and only under authority of law.

Law 230 dated July 23, 1974, as amended, known as "Accountancy Law of the Government of Puerto Rico", establishes the public policy as to the control and accounting of the public funds and property.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-01 DIBURSEMENTS – STATE FUNDS (CONTINUED)

Criteria (continued)

The following laws, among others, establish procedures and guidelines to follow in the acquisition of goods for the Commonwealth of Puerto Rico: Law 198 dated September 6, 1996; Law 42 dated August 5, 1989; Law 170 August 12, 1988; Law 164 dated July 23, 1974; and Law 77 dated June 25, 1974.

Effect

The exceptions mentioned above resulted in inadequately supported charges to the state funds amounting to \$336,163. This situation is the result of: a) deficiencies of the filing system and retrieval which do not provide for immediate identification of payment documents; and b) the failure to implement adequate internal control procedures, such as thorough managerial review, which should detect and correct, on a timely basis, instances where controls are not being followed.

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Adequate maintenance of documentation to support the allowability of its expenditures. The PRDH shall improve its internal controls over the filing and safeguarding of documents in order to easily identify and retrieve payment vouchers and all related supporting documentation.
- Establish and implement written policies and procedures, including controls for proper review and authorization during the processing and payment of PRDH expenditures. Payment documents and related supporting documentation shall be thoroughly reviewed before they are recorded and processed for payment.
- Payment vouchers shall be properly authorized by the respective PRDH's representatives and should be supported with the required documentation.
- Provide adequate training to employees regarding procurement and disbursement processing procedures.

Additionally, the PRDH shall emphasize the importance of maintaining an adequate filing system that allows the prompt retrieval of documents and related supporting documentation. The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-02 ACCOUNTING RECORDS

Federal programs

All federal financial assistance programs

Category

Internal control

Compliance requirement

Reporting
Special Tests and Provisions

Condition found

During our audit procedures for the fiscal year ended June 30, 2012, we noted the following deficiencies related to the accounting procedures and financial reporting practices of the PRDH:

- The PRDH has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end reconciliation and closing procedures which prevent the timely processing of adjustments. Many transactions and adjustments are posted months after the applicable closing with a retroactive effect due to delays in the processing of information, especially those related to payroll transactions. In this regard, a significant amount of journal vouchers are processed.
- We noted problems with the accounting software, PeopleSoft 8.4, used by the PRDH. The financial database provided contained two files of transactions, since the transactions that were initiated in the accounting software of the Treasury Department of the Commonwealth of Puerto Rico (PRIFAS) (payroll transactions) were not posted in PeopleSoft 8.4. This situation may have an effect on the PRDH's compliance with the earmarking requirements on several federal financial assistance programs.
- The PRDH created accounts or projects for federal grants with the CFDA number in the accounting system. In some instances, the CFDA numbers assigned were incomplete or incorrect. This deficiency required additional efforts of the PRDH personnel in order to review the grouping of grants when preparing and reviewing the Schedule of Expenditures of Federal Awards. This situation caused delays in the planning process and the beginning of the audit field work.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-02 ACCOUNTING RECORDS (CONTINUED)

Condition (continued)

- The PRDH has inappropriate and/or incomplete budgeting controls between grants awards distribution and programmatic activities allocations. In various federal programs we were unable to verify its compliance with certain percentages limitations as required by applicable regulations, as further explained in Findings No. 2012-14, 2012-15, and 2012-16.
- The PRDH has established a policy to account the payroll transactions in the accounting system. Payroll transactions of the federal programs were registered in a central account, no matter the type of programmatic activity of the federal program. This situation may have an effect on the PRDH's compliance with the earmarking requirements on several federal financial assistance programs, as further explained in Findings No. 2012-14, 2012-15, and 2012-16.
- We noted during the evaluation of the period of availability test that the PRDH accounted for payroll transactions after the end of the grant period for various federal programs. Eventhough the PRDH has adjusted those transactions; the PRDH failed to perform these adjustments in a timely manner. Many transactions are posted months after the applicable closing, with a retroactive effect. Also, the PRDH has not established adequate internal controls and procedures to correct this deficiency.
- The PRDH should improve the filing procedures, communication and coordination to permit the prompt retrieval of documents requested, as further explained in Findings No. 2012-04, 2012-05, 2012-06, 2012-07, 2012-08, 2012-09, 2012-10, 2012-11, 2012-12, 2012-25, 2012-26, 2012-27, 2012-29, 2012-30, 2012-34 and 2012-36.
- We obtained an accounts receivable listing amounting to \$4,244,443 as of June 30, 2012. Accounts receivable arise from services provided, overpayments or merchandise returns to suppliers, improper salary payments, payments to employees without accumulated vacations or sick leave balances, and others. The accounts receivable are recorded in a subsidiary ledger when detected or identified. However, the expenditures in the related funds are reversed when amounts are actually collected. Accordingly, expenditures reported in the federal financial assistance programs include unallowable costs for those amounts uncollected at the end of each year. Also, the PRDH failed to provide an accounts receivable listing segregated by transactions related to services rendered and overpayment or improper payments made, and by funding source. The general ledger account information related to the overpayment or improper payment was not included in the accounts receivable listing provided.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-02 ACCOUNTING RECORDS (CONTINUED)

Criteria

Sections 20(a) and (b) (1) to (4) and (6) on Subpart C of the OMB Common Rule establish that:

- a. A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - i. Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - ii. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- b. The financial management systems of other grantees and subgrantees must meet the following standards:
 - i. Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - ii. Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - iii. Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - iv. Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-02 ACCOUNTING RECORDS (CONTINUED)

Criteria (continued)

- v. Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Section 42 (e) (1) on Subpart C of the OMB Common Rule establishes that the awarding agency and the Comptroller General of the United States or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

2 CFR section 205 Appendix A (C) 4a establishes that applicable credits for receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs, shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate. Examples of such transactions are: purchase discounts, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges

Effect

The PRDH is unable to prepare accurate and complete financial reports because of the limitations on its current systems and reporting practices.

Questioned costs

Could not be determined

Recommendations

The PRDH shall revise its accounting practices and policies to provide for an accurate reporting financial system. The PRDH shall continue to improve its accounting practices and policies to provide for an accurate reporting financial system. This requires that the actual plan in place be continuously evaluated with the Puerto Rico Department of the Treasury to review the performance of the accounting and financial management system to allow the preparation of financial reports required by the different oversight entities and to have the necessary internal controls in place. The plan in place should also consider, among other things, the following:

- Integration, extraction and conversion of the personnel and payroll data.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-02 ACCOUNTING RECORDS

Recommendations (continued)

- Coordination between the programmatic and financial activities to allocate total grant awards and to reduce the actual time required for the use of funds. This shall reduce the possibility of the lapse of funds.

The PRDH shall perform a post system implementation analysis and evaluation of the PeopleSoft 8.4 application to verify all deliverables have been successfully completed and which other functions can be implemented.

The PRDH shall review its reconciliation procedures and enforce that this process is performed on a monthly basis. Furthermore, we recommend the PRDH's accounting personnel to perform, on a monthly basis, an analysis of subsequent payments. This would allow the preparation of reliable financial information and a proper matching of revenues and expenditures.

The PRDH shall establish an action plan to address the issue of the payroll transactions uploaded with errors to PeopleSoft 8.4. This will allow the PRDH to identify incorrect payroll charges in the correct accounts years and programs in order to process the adjustment in PeopleSoft 8.4 and PRIFAS on a timely basis.

The PRDH shall review their policies and procedures in order to record the expenditures in accordance with the program activities. An adequate chart of accounts allows the agency to maintain an effective control of the limits in the use of funds as required by federal program regulations.

Additionally, the PRDH shall emphasize the importance of maintaining an adequate filing system that allows the prompt retrieval of documents and related supporting documentation. The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-03 SINGLE AUDIT REPORT

Federal programs

All federal financial assistance programs

Category

Compliance / Internal control

Compliance requirement

Special Tests and Provisions

Condition found

The Single Audit Report for the fiscal year ended June 30, 2011 of the PRDH was submitted after March 31, 2012, which is the due date as established by OMB Circular A-133. The Single Audit related to such period was completed after the 9 months deadline, on May 31, 2013.

Criteria

OMB Circular A-133 subpart B §__.200 (a) establishes that Non-Federal entities that expend \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) 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 Circular A-133 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.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-03 SINGLE AUDIT REPORT (CONTINUED)

Effect

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

Questioned costs

None

Recommendations

The PRDH shall establish controls and processes to enable compliance with completing and submitting the Single Audit Report of the PRDH in the due date established by the Single Audit Act. Also, the PRDH should establish procedures for the monthly and year end closing procedures to allow for the timely performance of the Single Audits. This will enable the PRDH to comply with the reporting requirements established by applicable regulations.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-04 PERSONNEL FILES AND PAYROLL

Federal programs

All federal financial assistance programs

Category

Internal control

Compliance requirement

Allowable costs / cost principles

Condition found

As part of our audit procedures, we performed a personnel files test to determine if the employee's recruitment conformed to state employment laws and regulations meeting federal merit system. For this test, we selected a random sample of 63 employees' files from which forty (40) were paid with federal funds and twenty-three (23) were paid with state funds. However, for one (1) of the 63 files selected, the employee file was not available for examination. Our examination of the 62 employees' files provided, revealed that the following documents required by the PRDH were missing:

<u>Documents missing</u>	<u>Total files examined</u>	<u>Exceptions noted</u>	<u>Percentage of exceptions</u>
Fidelity Pledge	62	1	2%
Job Description	62	8	13%
Resume	62	5	8%
Certification of Academic Preparation	62	10	16%
Birth Certificate	62	4	6%
Personnel History	62	2	3%
Asume Form (ASM-5)	62	24	39%
CRIM Certification	62	2	3%
Income Tax Debt Certification	62	2	3%
Income Tax Return Filing Certification	62	2	3%
Employment Eligibility Verification (Form I-9)	62	5	8%
Copy of ID	62	2	3%
Health Certificate form	62	14	23%
Income Tax Withholding form	62	11	18%
Criminal Record Certificate	62	3	5%
Copy of Social Security card	62	1	2%
Informative Manual Work Area free of Drugs (Law # 101-226)	62	8	13%
Drug free test	62	5	8%
Receipt of Governmental Ethic Law	62	3	5%
Receipt of Sexual Harassment Law	62	20	32%

Above conditions are indicative that established procedures are not being followed and consequently, documents required for recruiting purposes have not been always obtained or properly filed.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-04 PERSONNEL FILES AND PAYROLL (CONTINUED)

Condition found (continued)

The PRDH's payroll is processed thru the Payroll and Human Resources System (RHUM). The PRDH inputs the employee information and compensation when the employee is hired and modifies the employee information in accordance with changes in the compensation or deductions required. The PRDH's Finance Division obtains a payroll register from the PRTD to record payroll and payroll related expenditures in the PRDH's accounting records.

After our tests of controls, we noted the following internal control deficiencies:

- a) In 1 of the 63 cases (1.6%), we noted that the employee ID number in RHUM did not agree with the ID number in the employee's file.
- b) During the payroll test, we noted that 61 of the 63 employees selected for testing were paid through direct deposit. However, in 3 of the 61 cases (5%), no evidence was provided of the request and authorization of the employee to participate in the direct deposit system.
- c) In 63 of the 63 cases (100%), the attendance sheets were not available for examination.

Criteria

Attachment B, Section 8(a) (2) of the OMB Circular A-87 establishes that the cost of compensation for personnel services is allowable to the extent that it follows an appointment made in accordance with the governmental unit's laws and rules and meets the merit system or other requirements required by federal law, where applicable.

Attachment B, Section 8(h) (1) of the OMB Circular A-87 establishes that charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

Section 20 (b) (6) on Subpart C of the OMB Common Rule establishes that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Sections 42(b) (1) and (2) on Subpart C of the OMB Common Rule establish that records must be retained for three years from the starting date. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3 years period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3 years period, whichever is later.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-04 PERSONNEL FILES AND PAYROLL (CONTINUED)

Effect

Incomplete files and personnel not meeting state employment laws and regulations and federal merit system could lead to cost disallowances. Lack of controls over the direct deposits transactions could result in incorrect payments to employees or unauthorized bank accounts. It could also be interpreted as a failure to establish and monitor internal controls over personnel files and payroll transactions.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Develop a comprehensive plan to ensure that: a) all the personnel files are on hand and complete; and b) all personnel required reports are prepared and processed immediately.
- File the direct deposit request forms for each employee in their respective file maintained by the Human Resources Department. Such information should be maintained in accordance with the law.
- Perform a review of all the employees that the payroll payment is performed by direct deposit in order to verify if the bank account indicated in the authorization form agree with the bank account included in the payroll system. For those cases that the form is not available, require the employees to complete a new form and/or request a confirmation letter that they are the title holder of the account indicated in the payroll system.
- Adequate payroll procedures would allow the PRDH to: a) ensure that payroll costs paid with federal funds are distributed adequately and accurately; and b) keep track of any changes in the tasks performed by an employee, which shall be processed on a timely basis by the Payroll Division. After implementing these improvements the PRDH shall have a continuous monitoring of this process to ensure that control activities are functioning as intended.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-04 PERSONNEL FILES AND PAYROLL (CONTINUED)

Recommendations (continued)

- Emphasize the importance of maintaining an adequate filing system that allows the prompt retrieval of documents and related supporting documentation. The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST

Federal programs

CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA 84.181	Special Education - Grants for Infants and Families
CFDA 84.393	Special Education - Grants for Infants and Families - ARRA
CFDA 93.069	Public Health Emergency Preparedness
CFDA 93.268	Immunization Cooperative Agreements
CFDA 93.712	Immunization Cooperative Agreements - ARRA
CFDA 93.767	Children's Health Insurance Program
CFDA 93.778	Medical Assistance Program
CFDA 93.778	Medical Assistance Program - ARRA
CFDA 93.889	National Bioterrorism Hospital Preparedness Program
CFDA 93.917	HIV Care Formula Grants
CFDA 93.994	Maternal and Child Health Services Block Grant to the States

Category

Compliance / Internal control

Compliance requirements

Allowable costs / cost principles
Procurement, Suspension and Debarment

Condition found

In testing compliance and internal controls over cost allowability and procurement and suspension and debarment requirements, we selected 165 disbursements from the programs listed above (excluding those related to payroll and fringe benefits expenditures, and assistance payments) that totaled \$51,815,434. The distribution of these disbursements was as detailed in the following page.

Also, we selected a sample of payments made to the Puerto Rico Health Care Administration in order to ascertain the adequacy of the supporting documents for those transactions, and the recording and coding in the accounting system.

The exceptions detailed in the following page are the result of: a) deficiencies of the filing system and retrieval which does not provide for immediate identification of payment documents; and b) the failure to implement adequate internal control procedures, such as thorough managerial review, which should detect and correct, on a timely basis, instances where controls are not being followed.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

<u>CFDA No.</u>	<u>Program</u>	<u>Items tested</u>	<u>Sample dollar amount</u>	<u>Program disbursements</u>	<u>Percentage tested</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	22	\$11,049,757	\$ 25,992,293	43%
84.181 / 84.393	Special Education-Grants for Infants and Families	21	3,372,314	6,019,343	56%
93.069	Public Health Emergency Preparedness	22	3,954,833	11,845,583	33%
93.268 / 93.712	Immunization Cooperative Agreements	16	542,404	856,289	63%
93.778	Medical Assistance Program	17	11,339,955	25,228,640	45%
93.889	National Bioterrorism Hospital Preparedness Program	22	2,878,943	5,647,454	51%
93.917	HIV Care Formula Grants	20	17,909,271	32,056,979	56%
93.994	Maternal and Child Health Services Block Grant to the States	<u>25</u>	<u>767,957</u>	<u>2,293,641</u>	<u>33%</u>
		<u>165</u>	<u>\$51,815,434</u>	<u>\$109,940,222</u>	<u>47%</u>

The legend of the exceptions and instances of noncompliance noted is as follow:

Attribute	Condition	Exceptions
A.	No procurement supporting documents were available for examination.	1
B.	Only one quote was available for examination.	5
C.	Disbursement allocated to an incorrect cost objective.	58
D.	Expenditure transaction not properly supported.	3
E.	Work performed before the contract was signed (Payment Resolution Agreement).	2
F.	Cost-benefit assessment of the necessity and reasonability of the transaction for the performance and administration of the program was not available for examination.	2
G.	Vendor exclusivity letter was not observed in the procurement file. Letter was subsequently provided.	2
H.	No evidence found of verification of contracted vendors in the Excluded Party List System (EPLS)	61

The exceptions noted under each program during the performance of our tests were as follows:

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
7/20/2011	\$765,997	00000857					X			X	\$ -
8/12/2011	2,100	00003034								X	-
9/20/2011	97,110	00008983		X							97,110
10/20/2011	61,615	00013288								X	-
12/8/2011	11,146	00019246								X	-
1/12/2012	793,683	00022143		X							793,683
1/18/2012	119,775	00022617		X				X			119,775
2/17/2012	179,728	00027049								X	-
2/29/2012	35,947	00028522		X				X			35,947
4/10/2012	18,000	00033118								X	-
4/12/2012	99,180	00033584			X					X	-
5/7/2012	45,655	00036708		X							45,655
5/10/2012	788,009	00037278					X			X	-
6/18/2012	237,785	00042919								X	-

0 5 1 0 2 2 0 9 \$ 1,092,170

**CFDA 84.181 Special Education-Grants for Infants and Families, and
CFDA 84.393 Special Education-Grants for Infants and Families - ARRA**

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
8/16/2011	\$1,087,440	00003865			X					X	-
10/5/2011	56,941	00010895								X	-
10/18/2011	36,726	00012816								X	-
11/23/2011	56,225	00017507								X	-
12/7/2011	239,317	00019078			X					X	-
12/7/2011	239,441	00019080			X					X	-
1/23/2012	239,161	00023206			X					X	-
2/10/2012	239,161	00026070			X					X	-
2/10/2012	239,161	00026075			X					X	-
3/2/2012	222,866	00028798			X					X	-
5/7/2012	201,125	00036678			X					X	-
6/6/2012	148,469	00041100			X					X	-
4/24/2012	238,213	0000059521				X					238,213

0 0 9 1 0 0 0 12 \$ 238,213

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

CFDA 93.069 Public Health Emergency Preparedness

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
7/15/2011	\$209,553	0001126232			X						-
7/22/2011	51,904	00001174								X	-
8/8/2011	88,460	00002239								X	-
8/16/2011	90,000	00003783								X	-
8/25/2011	125,900	00005044								X	-
9/21/2011	109,436	00009136								X	-
9/23/2011	120,000	00009429								X	-
10/19/2011	6,989	00013060								X	-
11/21/2011	20,535	00017141								X	-
12/15/2011	122,416	0001155061			X						-
1/10/2012	132,712	0001170605			X						-
2/15/2012	116,843	0001170262			X						-
3/15/2012	84,613	0001171831			X						-
3/30/2012	311,169	00032437								X	-
5/7/2012	5,000	00036795								X	-

0 0 5 0 0 0 0 10 \$ -

CFDA 93.268 Immunization Cooperative Agreements

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
7/19/2011	\$ 507	00000622								X	-
8/1/2011	7,690	11PV0124								X	-
8/16/2011	16,002	071OF12012			X						-
9/15/2011	13,894	0001133635			X						-
10/13/2011	262,915	00012204	X								- ¹
12/15/2011	14,036	0001155061			X						-
5/15/2012	15,209	0001187555			X						-

1 0 4 0 0 0 0 2 \$ -

Note 1: Cost was already questioned in finding 2012-20.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

CFDA 93.767 Children's Health Insurance Program

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
8/18/2011	\$9,047,411	00004362			X						-
8/29/2011	18,437,390	00005468			X						-
9/15/2011	9,080,646	00008372			X						-
3/1/2012	16,721,994	00028620			X						-
4/25/2012	14,617,413	00035230			X						-
4/26/2012	35,843,613	00035485			X						-

0 0 6 0 0 0 0 0 0 \$ -

CFDA 93.778 Medical Assistance Program

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
8/8/2011	\$10,213,604	00002218			X						-
8/31/2011	44,836,100	00005816			X						-
9/2/2011	26,538,306	00006534			X						-
1/3/2012	53,858,943	00021967			X						-
3/1/2012	76,253,782	00028625			X						-
3/28/2012	4,092,711	00032257			X						-
4/3/2012	55,335,392	00032620			X						-
4/3/2012	17,668,578	00032662			X						-
4/26/2012	104,610,826	00035476			X						-
4/27/2012	24,999,025	00035619			X						-
4/27/2012	95,718,074	00035752			X						-
5/14/2012	64,562,989	00037611			X						-
8/4/2011	9,968	00001900								X	-
12/5/2011	9,000	00018545								X	-
1/19/2012	21,916	00022815								X	-
2/2/2012	947,337	00024735								X	-
2/8/2012	7,275	00025610								X	-
3/13/2012	399,492	00020166								X	-
4/27/2012	23,305	00035555								X	-
6/4/2012	12,874	00040763								X	-

0 0 12 0 0 0 0 0 8 \$ -

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

CFDA 93.889 National Bioterrorism Hospital Preparedness Program

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
8/18/2011	\$149,999	00004341								X	-
9/15/2011	33,332	0001133635			X						-
9/26/2011	29,350	00009630								X	-
11/15/2011	36,535	0001147851			X						-
12/12/2011	400,000	00019819			X						-
12/13/2011	137,500	00019874			X						-
12/15/2011	42,841	0001155061			X						-
1/11/2012	115,219	00022086			X						-
1/12/2012	600,000	00022189			X						-
2/15/2012	34,714	0001170262			X						-
3/6/2012	111,034	00029147			X						-
4/19/2012	82,096	00034306								X	-
4/24/2012	525,000	00034971			X						-
5/10/2012	52,855	00037381								X	-
6/11/2012	114,829	00042115			X						-
6/11/2012	137,500	00042164			X						-
6/11/2012	100,000	00042215			X						-
6/11/2012	58,830	00042221								X	-
6/27/2012	82,730	0000062210				X					82,730
6/29/2012	25,000	0001194718			X						-

0 0 14 1 0 0 0 5 \$ 82,730

CFDA 93.917 HIV Care Formula Grants

Date	Amount	Document Number	A	B	C	D	E	F	G	H	Questioned Costs
7/21/2011	\$2,863,092	00001085								X	-
7/21/2011	3,900,030	00001085								X	-
11/1/2011	1,970,957	00014654								X	-
11/1/2011	205,558	00014654								X	-
11/1/2011	1,377,764	00014654								X	-
12/15/2011	73,493	0001155061			X						-
2/1/2012	885,151	00024612								X	-
2/23/2012	3,856	00027772								X	-

0 0 1 0 0 0 0 7 \$ -

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Criteria (continued)

2 CFR 225 appendix A section C (2) establishes that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
- b. The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
- c. Market prices for comparable goods or services.
- d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.
- e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

Sections 20(a) and (b) (1) and (3) to (6) on Subpart C of the OMB Common Rule establish that:

- a. A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - i. Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - ii. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Criteria (continued)

- b. The financial management systems of other grantees and subgrantees must meet the following standards:
- i. Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - ii. Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - iii. Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
 - iv. Allowable cost - Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
 - v. Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Section 35 on Subpart C of the OMB Common Rule establish that grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

Section 36 (a) on Subpart C of the OMB Common Rule establish that when procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Criteria (continued)

Section 36 (b) (9) on Subpart C of the OMB Common Rule establish that grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

Sections 42(b) (1) and (2) on Subpart C of the OMB Common Rule establish that records must be retained for three years from the starting date. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3 years period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3 years period, whichever is later.

Section 42 (e) (1) on Subpart C of the OMB Common Rule establish that the awarding agency and the Comptroller General of the United States or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

Effect

Above conditions could result in noncompliance with federal regulations and cost disallowances by the grantors. Also, the above conditions could result in the reimbursement of federal funds to the grantors for those disbursements not properly supported nor authorized by the corresponding grantors representatives.

Questioned costs

\$ 1,092,170	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
238,213	CFDA 84.181	Special Education - Grants for Infants and Families
1	CFDA 93.268	Immunization Cooperative Agreements
82,730	CFDA 93.889	National Bioterrorism Hospital Preparedness Program
<u>80,000</u>	CFDA 93.994	Maternal and Child Health Services Block Grant to the States
<u>\$1,493,113</u>		

Note 1: Cost was already questioned in finding 2012-20.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-05 DISBURSEMENT TEST (CONTINUED)

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Maintain adequate documentation to support the allowability of its expenditures. The PRDH shall improve its internal controls over the filing and safeguarding of documents in order to easily identify and retrieve payment vouchers and all related supporting documentation.
- Establish and implement written policies and procedures for all aspects of the programs, including controls for proper review and authorization during the processing and payment of programs expenditures. Payment documents and related supporting documentation shall be thoroughly reviewed before they are recorded and processed for payment. All payment vouchers shall be properly authorized by the respective PRDH's representatives and shall be supported with all the required documentation.
- Maintain the necessary supporting documents related to each transaction and/or procurement file in order to ascertain that the analysis and conclusion made by the PRDH could be available at the time of external reviews. This file shall contain the necessary documents to support the necessity and reasonability of each transaction so that an external reviewer could analyze and obtain an understanding of the elements and factors that the PRDH took in consideration at the time of the determination made.
- Provide adequate training to employees regarding each program requirements and proper disbursement processing and coding procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed.
- Establish a monitoring unit to examine and evaluate the PRDH transactions as to compliance with the programs applicable laws and regulations and follow-up when corrective actions are needed to be implemented.
- The PRDH should establish and implement policies and procedures to document the verification procedures for identifying suspended or debarred vendors. It would reduce the risk of noncompliance with federal regulations and cost disallowances by the grantors.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-06 REQUEST OF FUNDS - WIC

Federal programs

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Category

Compliance / Internal control

Compliance requirement

Cash Management

Condition found

During the fiscal year ended June 30, 2012, the Special Supplemental Nutrition Program for Women, Infants, and Children was covered by the Treasury-State Agreement under the Actual Clearance, ZBA – ACH. For the sample of 22 disbursements selected, which represented \$11,049,757 (23%) of the program expenditures of \$48,988,897 (excluding food funds), we requested the funds requests and related supporting documents. However, the PRDH was unable to provide us the funds requests documents for those transactions selected. This occurred because the PRDH did not consider the payments processed and paid by the Governmental Development Bank at the time of requesting the reimbursement of funds. Furthermore, the request of funds procedures performed by the PRDH did not consider the funding technique established in the State Treasury Agreement. Therefore, we were unable to determine compliance with the cash management requirement for this program.

Criteria

7 CFR section 3016.20 (b) (6) establishes that the accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

7 CFR section 3016.21 (b) establishes that the methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

31 CFR section 205.6 (b) establishes that a Treasury-State agreement will be effective until terminated unless the US Treasury and the State agree to a specific termination date. The US Treasury or the State may terminate a Treasury-State agreement on 30 days written notice.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-06 REQUEST OF FUNDS – WIC (CONTINUED)

Criteria (continued)

31 CFR section 205.11 (a) and (b) establish that a State and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds. A State and a Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs.

31 CFR section 205.12 (b) (1) establishes that the zero balance accounting means that a Federal Program Agency transfers the actual amount of Federal funds to a State that are paid out by the State each day.

Effect

Noncompliance with the above mentioned requirements could lead to administrative actions and penalties by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, program guidance, and grant agreements.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- a) Maintain adequate documentation to support the petitions of funds and to maintain the audit trail of the clearance pattern; to evidence that such clearance pattern accurately represents the flow of Federal funds under the Federal assistance programs to which it is applied. Accordingly, the PRDH shall improve its internal controls over the filing and safeguarding of documents in order to easily identify and retrieve the petitions of funds and all related supporting documentation.
- b) Provide adequate training to employees regarding each program requirements and proper claim for reimbursement processing procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-07 REQUEST OF FUNDS - MAP

Federal programs

CFDA 93.778 Medical Assistance Program

Category

Compliance / Internal control

Compliance requirement

Cash Management

Condition found

During the fiscal year ended June 30, 2012, the Medical Assistance Program was covered by the Treasury-State Agreement under the Actual Clearance, ZBA – ACH. For the sample of 17 disbursement selected, which represented \$11,339,955 (22%) of the program expenditures of \$51,892,619 (excluding payments of Health Insurance Premiums), we requested the funds requests and related supporting documents. However, the PRDH was unable to provide us the funds requests documents for those transactions selected. This situation occurred because the PRDH failed to establish adequate internal controls that allow an audit trail between the requests of funds and the program disbursement transactions. Therefore, we were unable to determine compliance with the cash management requirement for this program and the State Treasury Agreement effective during the fiscal year ended June 30, 2012.

Criteria

45 CFR sections 92.20 (b) (2), (3) and (6) establish that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-07 REQUEST OF FUNDS – MAP (CONTINUED)

Criteria (continued)

45 CFR sections 92.42 (b) (1) and (2) establish that records must be retained for three years from the starting date specified in paragraph (c) of this section. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

45 CFR section 92.42 (c) (1) establishes that when grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

45 CFR section 92.42 (e) states that the awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

31 CFR section 205.29 (b) establishes that a State must maintain records supporting interest calculations, clearance patterns, Interest Calculation Costs, and other functions directly pertinent to the implementation and administration of this subpart A for audit purposes. A State must retain the records for each fiscal year for three years from the date the State submits its Annual Report, or until any pending dispute or action involving the records and documents is completed, whichever is later. The grantor, the Comptroller General, and the Inspector General or other representative of a Federal Program Agency must have the right of access to, and may require submission of, all records for the purpose of verifying interest calculations, clearance patterns, interest calculation cost claims, and the State's accounting for Federal funds.

Effect

Noncompliance with the above mentioned requirements could lead to administrative actions and penalties by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, program guidance, and grant agreements.

Questioned costs

Could not be determined

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-07 REQUEST OF FUNDS – MAP (CONTINUED)

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- a) Maintain adequate documentation to support the petitions of funds and to maintain the audit trail of the clearance pattern; to evidence that such clearance pattern accurately represents the flow of Federal funds under the Federal assistance programs to which it is applied. Accordingly, the PRDH shall improve its internal controls over the filing and safeguarding of documents in order to easily identify and retrieve the petitions of funds and all related supporting documentation.

- b) Provide adequate training to employees regarding each program requirements and proper claims for reimbursement processing procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**FINDING NO. 2012-08 CASH MANAGEMENT - PROGRAMS NOT COVERED BY THE
TREASURY - STATE AGREEMENT**

Federal programs

CFDA 93.069	Public Health Emergency Preparedness
CFDA 93.268	Immunization Cooperative Agreements
CFDA 93.889	National Bioterrorism Hospital Preparedness Program
CFDA 93.994	Maternal and Child Health Services Block Grant to the States

Category

Compliance / Internal control

Compliance requirement

Cash Management

Condition found

During the fiscal year ended June 30, 2012, the PRDH requested federal funds not covered by the Treasury-State Agreement for the following programs:

<u>CFDA NO.</u>	<u>Program</u>	<u>Items tested</u>	<u>Sample dollar amount</u>
93.069	Public Health Emergency Preparedness	4	\$ 2,149,421
93.268	Immunization Cooperative Agreements	1	93,306
93.889	National Bioterrorism Hospital Preparedness Program	3	603,880
93.994	Maternal and Child Health Services Block Grant to the States	<u>4</u>	<u>9,815,538</u>
		<u>12</u>	<u>\$12,662,145</u>

For each of the 12 transactions selected for testing, we reviewed the documentation supporting the clearance pattern and determined whether the PRDH followed the procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement.

After performing such procedures, we noted the following deficiencies:

- In two (2) of the receipt vouchers selected for testing, the request of funds and the credit memo were not available for examination; accordingly, we were unable to test compliance with the cash management requirements.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**FINDING NO. 2012-08 CASH MANAGEMENT - PROGRAMS NOT COVERED BY THE
TREASURY - STATE AGREEMENT (CONTINUED)**

Condition (continued)

- In one (1) of the receipt vouchers selected for testing, the request of funds and related supporting documents were not available for examination; accordingly, we were unable to test compliance with the cash management requirements.

The exceptions mentioned above are the result of: deficiencies of the filing system; and the failure to implement adequate internal control procedures that could allow maintaining an audit trail between the requests and the disbursement transactions.

Criteria

31 CFR section 205.33 (a) establishes that a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of fund transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

45 CFR section 92.20 (b) (3) and (6) establish that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

45 CFR section 92.42 (b) (1) and (2) establish that records must be retained for three years from the starting date specified in paragraph (c) of this section. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

45 CFR section 92.42 (c) (1) states that when grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**FINDING NO. 2012-08 CASH MANAGEMENT - PROGRAMS NOT COVERED BY THE
TREASURY - STATE AGREEMENT (CONTINUED)**

Criteria (continued)

However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

Effect

Noncompliance with the above mentioned requirements could lead to administrative actions and penalties by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, program guidance, and grant agreements.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Maintain adequate documentation to support the funds requested. The PRDH shall improve its internal controls and identify the risk of non-compliance with cash management requirements in order to ascertain that the controls implemented will reduce the risk of non-compliance.
- Establish and implement written policies and procedures for the cash management process and the documents that should be filed as support of the funds requested.
- Provide adequate training to employees regarding each program requirements and proper claim for reimbursement processing procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-09 ELIGIBILITY OF PARTICIPANTS - WIC

Federal programs

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Category

Compliance / Internal control

Compliance requirement

Eligibility

Condition found

Total participants of the Special Supplemental Nutrition Program for Women, Infants, and Children Program during the fiscal year ended June 30, 2012, were 285,850. The amount expended under this federal program related to food instruments during such fiscal year was \$219,599,873. In testing the eligibility requirement under this program, we selected sixty (60) participants' files for testing. While reviewing the participants' files, we noted the following:

1. Five (5) of the participants' files selected for testing (8%), were not available for examination.
2. One (1) of the participants' files tested (2%), did not include the declaration orientation and acceptance of participants' rights and responsibilities (Form WIC 915).
3. One (1) of the participants' files tested (2%), did not include copy of the participant's identification.
4. One (1) of the participants' files tested (2%), did not include the evidence for income.
5. Two (2) of the participants' files tested (3%), did not include the evidence for residence.
6. For one (1) of the participants' files tested (2%), we noted that the participant income was above the income level in accordance with the WIC income eligibility guidelines.
7. For one (1) of the participants' files tested (2%), did not include evidence of the participant's re-evaluation.

Missing documentation in the participants' files to support their eligibility reflects deficiencies in the certification process because participants are being certified without submitting the required documentation or the documentation has been misplaced.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-09 ELIGIBILITY OF PARTICIPANTS – WIC (CONTINUED)

Criteria

7 CFR sections 246.7 (c) (1) and (2) establish that to qualify for the Program, infants, children, and pregnant, postpartum, and breastfeeding women must: (i) Reside within the jurisdiction of the State (except for Indian State agencies). Indian State agencies may establish a similar requirement. All State agencies may determine a service area for any local agency, and may require that an applicant reside within the service area. However, the State agency may not use length of residency as an eligibility requirement, (ii) Meet the income criteria specified in paragraph (d) of this section, and (iii) Meet the nutritional risk criteria specified in paragraph (e) of this section. At certification, the State or local agency must require each applicant to present proof of residency.

7 CFR section 246.7 (d) (2) (v) (A), (B) and (D) establish that:

- i. *Adjunctively / automatically income eligible applicants* - The State or local agency must require applicants determined to be adjunctively or automatically income eligible to document their eligibility for the program that makes them income eligible as set forth in paragraph (d)(2)(vi) of this section.
- ii. *Other applicants* - The State or local agency must require all other applicants to provide documentation of family income at certification.
- iii. *Verification* - The State or local agency may require verification of information it determines necessary to confirm income eligibility for Program benefits

Sections 3.00 and 3.01 of the PRDH WIC Program Policies and Procedures Manual establish the internal procedures for the certification and re-certification time frames and the required documents to be provided by the participants during the certification and re-certification process.

7 CFR section 3016.42 (b) (1) and (2) establish that records must be retained for three years from the starting date specified in paragraph (c) of this section. (2) If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

----- This Space Is Intentionally Left In Blank -----

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-09 ELIGIBILITY OF PARTICIPANTS – WIC (CONTINUED)

Effect

The PRDH could be exposed to administrative sanctions or cost disallowances since there is no sufficient documentation in the participants' files to support the eligibility criteria, and therefore, ineligible participants may be receiving services under the program. Additionally, since we could not determine the eligibility for five (5) participants, the total estimated cost allocated to them, amounting to \$3,841.17 (\$768.23 cost per participant x 5 ineligible participants) have been questioned, since likely questioned costs exceed \$10,000.

Questioned costs

<u>\$ 3,841</u>	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
-----------------	-------------	---

Recommendations

We recommend the PRDH to perform a review of the participants' files that have been determined to be ineligible for the program to ensure that they contain the complete documentation supporting the determination of eligibility.

The PRDH WIC centers must maintain the participants' files with all the required documentation to support the eligibility and shall periodically review the participants' files to ascertain that such files include complete and current information.

The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-10 ELIGIBILITY OF PARTICIPANTS - CHIP

Federal programs

CFDA 93.767 Children's Health Insurance Program

Category

Compliance / Internal control

Compliance requirement

Eligibility

Condition found

Total participants of the Children's Health Insurance Program during the fiscal year ended June 30, 2012, were 146,407. The amount expended under this federal program during such fiscal year was \$175,140,459. In testing the eligibility requirement under this program, we selected sixty (60) participants' files for testing. While reviewing the participants' files, we noted the following:

1. Four (4) of the participants' files selected for testing (7%), were not available for examination.
2. In three (3) of the participants' files tested (5%), the application form (MA-1) was not signed by the head of household.
3. Four (4) of the participants' files tested (7%), did not include copy of the head of household identification.
4. Four (4) of the participants' files tested (7%), did not include copy of the social security card.
5. Four (4) of the participants' files tested (7%), did not include evidence of citizenship.
6. Three (3) of the participants' files tested (5%), did not include evidence of income verification.
7. Two (2) of the participants' files tested (3%), did not include evidence of residency verification.
8. Five (5) of the participants' files tested (8%), did not include evidence of the participants' re-certification.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-10 ELIGIBILITY OF PARTICIPANTS – CHIP (CONTINUED)

Condition found (continued)

Missing documentation in the participants' files to support their eligibility reflects deficiencies in the certification process because participants are being certified without submitting the required documentation or the documentation has been misplaced.

Criteria

42 USC section 1397bb (b) (1) (A) establishes that the plan shall include a description of the standards used to determine the eligibility of targeted low-income children for child health assistance under the plan. Such standards may include (to the extent consistent with this subchapter) those relating to the geographic areas to be served by the plan, age, income and resources (including any standards relating to spend downs and disposition of resources), residency, disability status (so long as any standard relating to such status does not restrict eligibility), access to or coverage under other health coverage, and duration of eligibility. Such standards may not discriminate on the basis of diagnosis.

42 USC section 1397bb (b) (3) establishes that the plan shall include a description of procedures to be used to ensure: (A) through both intake and follow up screening, that only targeted low-income children are furnished child health assistance under the State child health plan; (B) that children found through the screening to be eligible for medical assistance under the State Medicaid plan under subchapter XIX of this chapter are enrolled for such assistance under such plan; and (C) that the insurance provided under the State child health plan does not substitute for coverage under group health plans.

45 CFR section 92.42 (b) (1) and (2) establish that records must be retained for three years from the starting date specified in paragraph (c) of this section. (2) If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

Effect

The PRDH could be exposed to administrative sanctions or cost disallowances since there is no sufficient documentation in the participants' files to support the eligibility criteria, and therefore, ineligible participants may be receiving services under the program. Additionally, since we could not determine the eligibility for thirteen (13) participants, the total estimated cost allocated to them, amounting to \$15,551.38 (\$1,196.26 cost per participant x 13 ineligible participants) have been questioned.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-10 ELIGIBILITY OF PARTICIPANTS – CHIP (CONTINUED)

Questioned costs

\$ 15,551 CFDA 93.767 Children's Health Insurance Program

Recommendations

We recommend the PRDH to perform a review of the participants' files that have been determined to be ineligible for the program to ensure that they contain the complete documentation supporting the determination of eligibility.

The PRDH Medicaid offices must maintain the participants' files with all the required documentation to support the eligibility and shall periodically review the participants' files to ascertain if such files include complete and current information.

The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-11 ELIGIBILITY OF PARTICIPANTS - MAP

Federal programs

CFDA 93.778 Medical Assistance Program

Category

Compliance / Internal control

Compliance requirement

Eligibility

Condition found

Total participants of the Medical Assistance Program (Medicaid; Title XIX) during the fiscal year ended June 30, 2012, were 1,378,504. The amount expended, excluding administrative costs, under this federal program during such fiscal year was \$861,102,270. In testing the eligibility requirement under this program, we selected sixty (60) participants' files for testing. While reviewing the participants' files, we noted the following:

1. Two (2) of the participants' files selected for testing (3%), were not available for examination.
2. In one (1) of the participants' files tested (2%), the application form (MA-1) was not signed by the participant or head of household.
3. Seven (7) of the participants' files tested (12%), did not include copy of the participants' identification.
4. Two (2) of the participants' files tested (3%), did not include copy of the social security card.
5. Eleven (11) of the participants' files tested (18%), did not include evidence of the participants' citizenship.
6. Three (3) of the participants' files tested (5%), did not include evidence of the participants' re-certification.

Missing documentation in the participants' files to support their eligibility reflects deficiencies in the certification process because participants are being certified without submitting the required documentation or the documentation has been misplaced.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-11 ELIGIBILITY OF PARTICIPANTS – MAP (CONTINUED)

Criteria

42 CFR section 435.907 (f) establishes that the agency must require that all initial applications are signed under penalty of perjury. Electronic, including telephonically recorded, signatures and handwritten signatures transmitted via any other electronic transmission must be accepted.

42 CFR section 435.910 (a) and (g) establish that the agency must require, as a condition of eligibility, that each individual (including children) seeking Medicaid furnish each of his or her Social Security numbers (SSN). The agency must verify the SSN furnished by an applicant or beneficiary to insure the SSN was issued to that individual, and to determine whether any other SSNs were issued to that individual.

42 CFR section 435.916 (b) establishes that the agency must re-determine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under § 435.603(j) of this part, for circumstances that may change, at least every 12 months. The agency must make a redetermination of eligibility in accordance with the provisions of paragraph (a)(2) of this section, if sufficient information is available to do so. The agency may adopt the procedures described at § 435.916(a)(3) for individuals whose eligibility cannot be renewed in accordance with paragraph (a)(2) of this section.

45 CFR section 92.42 (b) (1) and (2) establish that records must be retained for three years from the starting date specified in paragraph (c) of this section (2). If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

Effect

The PRDH could be exposed to administrative sanctions or cost disallowances since there is no sufficient documentation in the participants' files to support the eligibility criteria, and therefore, ineligible participants may be receiving services under the program. Additionally, since we could not determine the eligibility for seventeen (17) participants, the total estimated cost allocated to them, amounting to \$10,619.29 (\$624.66 cost per participant x 17 ineligible participants) have been questioned.

Questioned costs

\$ 10,619 CFDA 93.778 Medical Assistance Program

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-11 ELIGIBILITY OF PARTICIPANTS – MAP (CONTINUED)

Recommendations

We recommend the PRDH to perform a review of the participants' files that have been determined to be ineligible for the program to ensure that they contain the complete documentation supporting the determination of eligibility.

The PRDH Medicaid offices must maintain the participants' files with all the required documentation to support the eligibility and shall periodically review the participants' files to ascertain if such files include complete and current information.

The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-12 ELIGIBILITY SUBRECIPIENT – HIV CFG

Federal programs

CFDA 93.917 HIV Care Formula Grants

Category

Internal control

Compliance requirement

Eligibility

Condition found

To determine compliance with eligibility requirements for the Ryan White Care Act Title II program, we selected for testing 5 subrecipients' files from a total population of 10 subrecipients, whose proposal were approved during the fiscal year ended June 30, 2012. After performing the eligibility test, we noted the following conditions:

- a. In five (5) of the five (5) subrecipients' files examined (100%), the certification of a line of credit or funds available by the subrecipient, as required to be included with the proposal, were not observed in the subrecipients' file; and
- b. In two (2) of the five (5) subrecipients' files examined (40%), the PRDH failed to obtain the most recent Single Audit or audited financial statements.

These documents were identified by the PRDH as necessary for the evaluation of the subrecipients' proposal. Therefore, the PRDH did not follow their internal control procedures established for the evaluation and approval of the subrecipients' proposals.

Criteria

45 CFR section 92.20 (c) establishes that an awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a pre-award review or at any time subsequent to award.

45 CFR section 92.37 establishes that states shall follow state law and procedures when awarding and administering subgrants (whether on a cost reimbursement or fixed amount basis) of financial assistance to local and Indian tribal governments.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-12 ELIGIBILITY SUBRECIPIENT – HIV CFG (CONTINUED)

Criteria (continued)

The guide for the preparation of proposal and request of funds for the Ryan White Part B program for the fiscal year 2011-2012 issued by the PRDH on December 3, 2010 in section I (5) and (6) establishes that:

- a) The proposal must present evidence from a financial institution certifying that the organization has available a line of credit or have unrestricted funds available for the operation for the amount of \$15,000. Without this information, the proposal will not be considered for evaluation.
- b) The consortium, organization or entity must comply with the OMB Circular A-133 and submit the most recent Single Audit Report or audited financial statements of the consortium, organization or entity. Without this information, the proposal will not be considered for evaluation.

Effect

Noncompliance with the above mentioned requirements could lead to significant administrative actions by the grantor, including cost disallowances. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to maintain the subrecipients' files with all the required documentation required to support the approval of each proposal. The program Administrator should perform a review of the subrecipients' files before the approval of the funds and signature of the contract.

The PRDH shall review the policies and procedures established related to the required documents when submitting a proposal to participate under the program. The review shall consider the evaluation of the relevance of the documents required in accordance with the program's eligibility requirements as per the federal regulations. The PRDH shall also perform a risk assessment in order to determine the propriety of the documents required during the evaluation of the proposals.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-13 PROPERTY AND EQUIPMENT

Federal programs

CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA 93.069	Public Health Emergency Preparedness
CFDA 93.778	Medical Assistance Program
CFDA 93.889	National Bioterrorism Hospital Preparedness Program

Category

Compliance / Internal control

Compliance requirement

Equipment and real property management

Condition found

To determine compliance with Equipment and Real Property Management requirements, we obtained an understanding of the PRDH's policies and procedures. Then, we performed tests of controls to determine if: a) PRDH's policies and procedures have been complied with; b) established controls are effective; and c) to assess control risk. We made a selection of 14 transactions representing 62% (\$1,600,305) of the total vouchers related to the acquisition of property and equipment (\$2,654,987) for the programs included above. The selected sample per federal program was as follows:

<u>Program</u>	<u>CFDA NO.</u>	<u>Equipment disbursement</u>	<u>Sample dollar</u>	<u>Percentage Tested</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 154,200	\$ 23,231	15.07%
Public Health Emergency Preparedness	93.069	588,545	225,085	38.24%
Immunization Cooperative Agreements	93.268	7,986	-	0.00%
Medical Assistance Program	93.778	1,161,222	992,545	85.47%
National Bioterrorism Hospital Preparedness Program	93.889	669,286	359,444	53.71%
HIV Care Formula Grants	93.917	13,534	-	0.00%
Maternal and Child Health Services Block Grant to the States	93.994	60,214	-	0%
		<u>\$ 2,654,987</u>	<u>\$ 1,600,305</u>	<u>60.28%</u>

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-13 PROPERTY AND EQUIPMENT (CONTINUED)

Condition found (continued)

After performing those procedures, we noted the following:

1. In five (5) of the 14 items examined (36%), the property records did not include the custodian information in the property module of the accounting system. However, information was provided of the manual process implemented for such purpose.
2. In twelve (12) of the 14 items examined (86%), the property serial number was not included in the property records; instead a dummy number was included in the property module at the moment of our request for examination.
3. In nine (9) of the 14 items examined (64%), the property records did not include the custodian information in the property module of the accounting system. Also, property use receipts, which is an alternate procedure implemented by the PRDH, were not provided for examination.

Internal control

After obtaining an understanding of the state's policies and procedures and performing our tests of controls, we noted the following internal control deficiencies:

- a. The Property Division of the PRDH does not maintain an effective property and equipment system from which a current and complete subsidiary ledger can be prepared; and
- b. A physical inventory was not taken, at least on a bi-annual basis, as required by applicable regulations;

Criteria

Section 32 (b) Subpart C of the OMB Common Rule establishes that a State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. In addition, section 32 (d) establishes that procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- a. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-13 PROPERTY AND EQUIPMENT (CONTINUED)

Criteria (continued)

- b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- d. Adequate maintenance procedures must be developed to keep the property in good condition.
- e. If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Article XIV of the State's Property Rules and Regulations ("Reglamento #11: "Control y Contabilidad de la Propiedad") sections (A) and (B) establish that the property registers of the agencies should be supported by a physical inventory. The Property Division of the Puerto Rico Treasury Department (PRTD) will establish the date in which the agencies will perform their annual inventory.

Article XIV of the State's Property Rules and Regulations ("Reglamento #11: "Control y Contabilidad de la Propiedad") section (D) establishes that the agencies will prepare the inventory in an electronic format using the SC795 Form, Fixed Assets Physical Inventory. The forms SC795 and SC795.1 (Physical Inventory Certification) forms will be sent to the PRTD. The inventory should include the following: (1) description of the property; (2) the acquisition date; (3) cost of the property; (4) property class; (5) property number, and (6) source of funds for the purchase of property.

Article XIV of the State's Property Rules and Regulations ("Reglamento #11: "Control y Contabilidad de la Propiedad") section (G) establishes that once the inventory count is completed, an officer not in charge of the inventory procedures should compare the results with the property records. Differences should be reconciled and property records adjusted, as applicable.

Effect

The PRDH is exposed to the risk of possible unauthorized use and disposition of equipment due to the lack of adequate internal controls and adequate property and equipment records.

Questioned costs

Could not be determined

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-13 PROPERTY AND EQUIPMENT (CONTINUED)

Recommendations

The PRDH shall design and establish adequate controls and procedures to be followed by the Property Division. Property records shall include the required information for equipment purchased with federal funds to improve accountability, control and to detect possible loss or theft of property. All property records shall be thoroughly reviewed to make sure that all information included in them is accurate and pertinent.

Also, the PRDH shall design and establish reporting procedures that will allow them to maintain in the property registers the correct location of the property at all times. The reporting procedures should allow the PRDH to maintain the source of funds used to acquire the property even when acquired under the reimbursement method of funding.

Additionally, a physical inventory of all equipment and property shall be performed at least annually and reconciled with the property records. Verification should be made to ascertain that property and equipment are being properly safeguarded and used solely for the authorized purposes.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-14 EARMARKING - ICG

Federal programs

CFDA 93.268 Immunization Cooperative Agreements

Category

Compliance / Internal control

Compliance requirement

Matching, Level of Effort, Earmarking

Condition found

After obtaining an understanding of the Matching, Level of Effort, Earmarking requirement related to the Immunization Cooperative Agreements program and reviewing the special conditions included with the notice of award, we noted that the funds awarded for 317, VFC Operations, VFC/AFIX, VFC Ordering, VFC Distribution, and Pandemic Influenza must be accounted for by funding source to ensure that these funds are only used for these categorical allowable activities. During the performance of the earmarking tests for the year ended June 30, 2012, we noted the following deficiencies for the grant awards 5H23IP222501-09 and 5H23IP222501-10:

- a) The program accounts in the accounting system were not adequately expanded to record the payroll transactions based on the corresponding program categorical allowable activities. Amounts expended related to payroll and benefits were registered in a central account without considering the type of activity related to it (317, VFC Operations, VFC/AFIX, VFC Ordering, VFC Distribution, and Pandemic Influenza).
- b) Amounts claimed and/or expended for VFC Operations, VFC/AFIX, VFC Ordering, VFC Distribution, and Pandemic Influenza were accounted for in the H11IP2225000VFC and H12IP2225000VFC for the grants 5H23IP222501-09 and 5H23IP222501-10, respectively. Therefore, the chart of accounts in the financial system is not sufficiently expanded to account for the grants transactions per categorical allowable activities.

A control is maintained in spreadsheets designed by the program's personnel. However, such internal controls depend on the efforts made by the Fiscal personnel of the program to reconcile and update such records in a timely manner.

Based on the above, we were unable to determine compliance with the earmarking requirement for this program.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-14 EARMARKING – ICG (CONTINUED)

Criteria

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

- a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- b) The financial management systems of other grantees and subgrantees must meet the following standards:
 - 1) Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - 2) Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - 3) Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - 4) Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-14 EARMARKING – ICG (CONTINUED)

Criteria (continued)

Section IV and Section III of the Notice of Award for the grants 5H23IP222501-09 and 5H23IP222501-10 establish that federal funds awarded for 317, VFC Operations, VFC/AFIX, VFC Ordering, VFC Distribution, and Pandemic Influenza must be accounted for by funding source to ensure that these funds are only used for these categorical allowable activities. These funds may not be redirected without written, prior approval from the Grant Management Officer.

Effect

Noncompliance with the earmarking requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to expand the chart of accounts to provide for identification of the amounts claimed for operations expenditures, and the amount of funds that the PRDH expended for programmatic activities. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.

The PRDH shall train the program's personnel, including the program's accountants and other employees in charge of the program's budget preparation on those federal regulations requiring established percentages. They shall ensure that the budget is prepared following the federal guidelines. Personnel in charge of approving and recording expenditures shall have an understanding of the program in order to prevent, detect and correct instances when expenditures incurred do not comply with the percentage requirements. Program expenditures shall also be monitored to track state-level activities. The preparation on a periodic basis of a report summarizing these expenditures is a good tool for monitoring and follow up purposes.

We also recommend the PRDH to develop and implement written policies and procedures outlining: a) responsibilities for the accounting of such expenditures; and b) proper monitoring or follow up procedures to ascertain compliance with earmarking requirements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-15 EARMARKING – HIV CFG

Federal programs

CFDA 93.917 HIV Care Formula Grants

Category

Compliance / Internal control

Compliance requirement

Matching, Level of Effort, Earmarking

Condition found

During the performance of the earmarking tests of the Ryan White Care Act Title II for the year ended June 30, 2012, we noted several deficiencies related to the grant awards 11X12HA00046 and 12X13HA00046 for the following activities:

- a) Amounts claimed for quality management program were included as part of the administration, planning, and evaluation activities account;
- b) The program accounts in the accounting system were not adequately expanded to record the payroll transactions based on the corresponding program activities. Amounts expended related to payroll and benefits were registered in a central account without considering the type of activity related to it (Management, Planning and Evaluation, Quality Management, ADAP Earmark, and other program activities); and
- c) Amounts claimed as administration, planning, and evaluation in the account H11A00046-ADMIN did not consider the expenditures incurred for this activity, as result of the deficiency described under comment b above.

A control is maintained in spreadsheets designed by the program's personnel. However, such internal controls depend on the efforts made by the Fiscal personnel of the program to reconcile and update such records in a timely manner.

Based on the above, we concluded that the fiscal controls and accounting procedures of the PRDH are not sufficient and adequate to permit the tracing of funds to a level of expenditures in the financial records and to establish that the funds segregation has been made in accordance with the programs requirements and regulations.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-15 EARMARKING – HIV CFG (CONTINUED)

Criteria

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

- a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- b) The financial management systems of other grantees and subgrantees must meet the following standards:
 - 1) Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - 2) Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - 3) Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - 4) Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-15 EARMARKING – HIV CFG (CONTINUED)

Criteria (continued)

42 USC section 300ff-28 (b) (2), (3) (A), and (4) establish that:

- i. A State may not use more than 10 percent of amounts received under a grant awarded under section 300ff-21 of this title for planning and evaluation activities;
- ii. A State may not use more than 10 percent of amounts received under a grant awarded under section 300ff-21 of this title for administration; and
- iii. A State may not use more than a total of 15 percent of amounts received under a grant awarded under section 300ff-21 of this title for the purposes described in paragraphs (2) and (3).

42 USC section 300ff-28 (b) (3) (E) (ii) establishes that from amounts received under a grant awarded under section 300ff-21 of this title for a fiscal year, a State may use for activities associated with the clinical quality management program required in clause (i) an amount not to exceed the lesser of 5 percent of amounts received under the grant; or \$3,000,000.

Effect

Noncompliance with the earmarking requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to expand the chart of accounts to provide for identification of the amounts claimed for administrative expenditures, and the amount of funds that the PRDH expended for programmatic activities. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.

The PRDH shall train the program's personnel, including the program's accountants and other employees in charge of the program's budget preparation on those federal regulations requiring established percentages. They shall ensure that the budget is prepared following the federal guidelines.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-15 EARMARKING – HIV CFG (CONTINUED)

Recommendations (continued)

Personnel in charge of approving and recording expenditures shall have an understanding of the program in order to prevent, detect and correct instances when expenditures incurred do not comply with the percentage requirements. Program expenditures shall also be monitored to track state-level activities. The preparation on a periodic basis of a report summarizing these expenditures is a good tool for monitoring and follow up purposes.

We also recommend the PRDH to develop and implement written policies and procedures outlining: a) responsibilities for the accounting of such expenditures; and b) proper monitoring or follow up procedures to ascertain compliance with the earmarking requirements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-16 EARMARKING - MCHSBG

Federal programs

CFDA 93.994 Maternal and Child Health Services Block Grant to the States

Category

Compliance / Internal control

Compliance requirement

Matching, Level of Effort, Earmarking

Condition found

During the performance of the earmarking tests of the Maternal and Child Health Services Block Grant to the States program for the year ended June 30, 2012, we noted that the chart of accounts in the financial system is not sufficiently expanded to account for the grant awards 101B04MC1701, 11B04MC21384, and 12B04MC23406 for the following activities:

- a) Amounts claimed for administrative expenditures; and
- b) Amounts expended on each of the following activities: preventive and primary care services for pregnant women, mothers, and infants up to age one, preventive and primary care services for children, and services for children with special health care needs as required by program regulations.
- c) An account was created to record the expenditures related to the activities of the services for children with special health care needs; however, the budget amount was below the minimum amount required by program regulations.

A control is maintained in spreadsheets designed by the program's personnel. However, such internal controls depend on the efforts made by the Fiscal personnel of the program to reconcile and update such records in a timely manner.

Based on the above, we concluded that the fiscal controls and accounting procedures of the PRDH are not sufficient and adequate to permit the tracing of funds to a level of expenditures in the financial records and to establish that funds segregations have been made in accordance with the programs requirements and regulations.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-16 EARMARKING - MCHSBG (CONTINUED)

Criteria

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

- a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- b) The financial management systems of other grantees and subgrantees must meet the following standards:
 - 1) Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - 2) Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - 3) Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - 4) Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-16 EARMARKING - MCHSBG (CONTINUED)

Criteria (continued)

42 USC section 704 (d) establishes that of the amounts paid to a State under section 703 of this title from an allotment for a fiscal year under section 702(c) of this title, not more than 10 percent may be used for administering the funds paid under such section.

42 USC section 705 (a) (3) establishes that except as provided under subsection (b) of this section, the State will use at least 30 percent of such payment amounts for preventive and primary care services for children, and at least 30 percent of such payment amounts for services for children with special health care needs (as specified in section 701(a)(1)(D) of this title).

Effect

Noncompliance with the earmarking requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to expand the chart of accounts to provide for the identification of the amounts claimed for administrative expenditures, and the amount of funds that the PRDH expended for programmatic activities. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.

The PRDH shall train the program's personnel, including the program's accountants and other employees in charge of the program's budget preparation on those federal regulations requiring established percentages. They shall ensure that the budget is prepared following the federal guidelines. Personnel in charge of approving and recording expenditures shall have an understanding of the program in order to prevent, detect and correct instances when expenditures incurred do not comply with the percentage requirements. Program expenditures shall also be monitored to track state-level activities. The preparation on a periodic basis of a report summarizing these expenditures is a good tool for monitoring and follow up purposes.

We also recommend the PRDH to develop and implement written policies and procedures outlining: a) responsibilities for the accounting of such expenditures; and b) proper monitoring or follow up procedures to ascertain compliance with the earmarking requirements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-17 PERIOD OF AVAILABILITY - WIC

Federal programs

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the period of availability requirement, we obtained the grant award notification and communications with the grantor's agency to identify the awards expiring during the fiscal year ended June 30, 2012 related to the Special Supplemental Nutrition Program for Women, Infants and Children. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. From the total disbursements charged after the end of the period of availability (\$56,987,663), we examined a sample of transactions that amounted to \$10,181,990 (17.87%). After performing these procedures, we noted that in forty-seven (47) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$406,045. Also, we noted that in sixty-one (61) transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$32,087.

Criteria

2 CFR section 225 appendix B (8) establishes that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits.

Part 3 of the Compliance Supplement requirement H establishes that an obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. If an obligation is for personal services by an employee of the State or subgrantee, the obligation is made when the services are performed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-17 PERIOD OF AVAILABILITY – WIC (CONTINUED)

Criteria (continued)

7 CFR sections 246.17 (a), and (b) (2) establish that:

- i. State agencies shall submit preliminary and final closeout reports for each fiscal year. All obligations shall be liquidated before closure of a fiscal year grant. Obligations shall be reported for the fiscal year in which they occur; and
- ii. State agencies shall submit to FNS, within 120 days after the end of the fiscal year, final fiscal year closeout reports.

7 CFR sections 3016.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee.

7 CFR section 3016.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or be denied a reimbursement.

Questioned costs

<u>\$ 438,132</u>	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
-------------------	-------------	---

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-17 PERIOD OF AVAILABILITY – WIC (CONTINUED)

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after the cut-off dates;
- c) The processing of the required adjusting entries in a timely manner to correct those transactions charged to the incorrect accounts;
- d) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- e) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for their review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-18 PERIOD OF AVAILABILITY – SE GIF

Federal programs

CFDA 84.181 Special Education – Grants for Infants and Families

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012 related to the Special Education – Grants for Infants and Families program. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. . From the total disbursements charged after the end of the period of availability (\$2,250,706), we examined a sample of transactions that amounted to \$444,736 (19.75%). After performing these procedures, we noted that in seven (7) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$11,475.

Criteria

34 CFR sections 80.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee.

34 CFR section 80.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-18 PERIOD OF AVAILABILITY – SE GIF (CONTINUED)

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

Questioned costs

\$ 11,475 CFDA 84.181 Special Education – Grants for Infants and Families

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of the period of availability requirements, specially just before and after cut-off dates;
- c) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- d) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for their review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-19 PERIOD OF AVAILABILITY - PHEP

Federal programs

CFDA 93.069 Public Health Emergency Preparedness

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012 related to the Public Health Emergency Preparedness program. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. . From the total disbursements charged after the end of the period of availability (\$7,733,987), we examined a sample of transactions that amounted to \$4,653,989 (60.18%). After performing these procedures, we noted that in 118 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$699,005. Also, we noted that in 103 transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$377,886.

Criteria

2 CFR section 225 appendix B (8) establishes that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits.

Part 3 of the Compliance Supplement requirement H establishes that an obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. If an obligation is for personal services by an employee of the State or subgrantee, the obligation is made when the services are performed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-19 PERIOD OF AVAILABILITY - PHEP (CONTINUED)

Criteria (continued)

45 CFR sections 92.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee.

45 CFR section 92.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

Questioned costs

\$ 1,076,901 CFDA 93.069 Public Health Emergency Preparedness

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after cut-off dates;
- c) The processing of the required adjusting entries in a timely manner to correct those transactions charged to the incorrect accounts;

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-19 PERIOD OF AVAILABILITY - PHEP (CONTINUED)

Recommendations (continued)

- d) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- e) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-20 PERIOD OF AVAILABILITY - ICA

Federal programs

CFDA 93.268 Immunization Cooperative Agreements

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012 related to the Immunization Cooperative Agreements program. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. From the total disbursements charged after the end of the period of availability (\$2,328,622), we examined a sample of transactions that amounted to \$2,228,082 (95.68%). After performing these procedures, we noted that in thirty-four (34) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$276,031.

Criteria

45 CFR sections 92.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee.

45 CFR section 92.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-20 PERIOD OF AVAILABILITY - ICA (CONTINUED)

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

Questioned costs

\$ 276,031 CFDA 93.268 Immunization Cooperative Agreements

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after cut-off dates;
- c) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- d) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-21 PERIOD OF AVAILABILITY - MAP

Federal programs

CFDA 93.778 Medical Assistance Program

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012 related to the Medical Assistance Program. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. From the total disbursements charged after the end of the period of availability (\$148,001,562), we examined a sample of transactions that amounted to \$115,374,982 (77.96%). After performing these procedures, we noted that in 216 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$1,779,349. Also, we noted that in 262 transactions the obligation and payment were made after the required allowed period. Such obligations amounted to \$1,069,833.

Criteria

45 CFR sections 92.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-21 PERIOD OF AVAILABILITY - MAP (CONTINUED)

Criteria (continued)

Part 3 of the Compliance Supplement requirement H establishes that an obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. If an obligation is for personal services by an employee of the State or subgrantee, the obligation is made when the services are performed.

45 CFR section 92.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

Questioned costs

\$ 2,849,182 CFDA 93.778 Medical Assistance Program

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after cut-off dates;
- c) The processing of the required adjusting entries in a timely manner to correct those transactions charged to the incorrect accounts;
- d) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- e) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-22 PERIOD OF AVAILABILITY - NBHPP

Federal programs

CFDA 93.889 National Bioterrorism Hospital Preparedness Program

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012 related to the National Bioterrorism Hospital Preparedness Program. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. From the total disbursements charged after the end of the period of availability (\$213,638), we examined a sample of transactions that amounted to \$208,253 (97.48%). After performing these procedures, we noted that in eleven (11) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$76,564.

Criteria

45 CFR sections 92.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee.

45 CFR section 92.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-22 PERIOD OF AVAILABILITY - NBHPP (CONTINUED)

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

Questioned costs

\$ 76,564 CFDA 93.889 National Bioterrorism Hospital Preparedness Program

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after cut-off dates;
- c) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- d) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-23 PERIOD OF AVAILABILITY – HIV CFG

Federal programs

CFDA 93.917 HIV Care Formula Grants

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012 related to the HIV Care Formula Grants program. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. From the total disbursements charged after the end of the period of availability (\$674,492), we examined a sample of transactions that amounted to \$671,176 (99.51%). After performing these procedures, we noted that in 54 transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$19,064.

Criteria

2 CFR section 225 appendix B (8) establishes that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits.

Part 3 of the Compliance Supplement requirement H establishes that an obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation occurs (is made) depends on the type of property or services that the obligation is for. If an obligation is for personal services by an employee of the State or subgrantee, the obligation is made when the services are performed.

45 CFR sections 92.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-23 PERIOD OF AVAILABILITY – HIV CFG (CONTINUED)

Criteria (continued)

A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee.

45 CFR section 92.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

Questioned costs

\$ 19,064 CFDA 93.917 HIV Care Formula Grants

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after cut-off dates;
- c) The processing of the required adjusting entries in a timely manner to correct those transactions charged to the incorrect accounts;
- d) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- e) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-24 PERIOD OF AVAILABILITY - MCHSBG

Federal programs

CFDA 93.994 Maternal and Child Health Services Block Grant to the States

Category

Compliance / Internal control

Compliance requirement

Period of Availability

Condition found

To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012 related to the Maternal and Child Health Services Block Grant to the States program. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. From the total disbursements charged after the end of the period of availability (\$2,107,363), we examined a sample of transactions that amounted to \$1,735,271 (82.34%). After performing these procedures, we noted that in thirty-one (31) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$177,481.

Criteria

45 CFR sections 92.23 (a) and (b) establish that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report. The Federal agency may extend this deadline at the request of the grantee.

45 CFR section 92.50 (d) (2) establishes that the grantee must immediately refund to the Federal agency any balance of unobligated (unencumbered) cash advanced that is not authorized to be retained for use on other grants.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-24 PERIOD OF AVAILABILITY - MCHSBG (CONTINUED)

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

Questioned costs

\$ 177,481 CFDA 93.994 Maternal and Child Health Services Block Grant to the States

Recommendations

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDH shall establish formal policies and procedures to ascertain:

- a) The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b) The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after cut-off dates;
- c) The processing of the required adjusting entries in a timely manner to correct those transactions charged to the incorrect accounts;
- d) The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; and
- e) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-25 PROGRAM INCOME - MCHSBG

Federal programs

CFDA 93.994 Maternal and Child Health Services Block Grant to the States

Category

Compliance / Internal control

Compliance requirement

Program Income

Condition found

After obtaining an understanding of the state's policies and procedures and performing our tests of controls, we noted that the Maternal and Child Health Services Block Grant to the States program billed the medical insurance plans for the medical services provided in the pediatric clinics and the rental of medical equipment, including the deductible charges as determined by the medical insurance companies. However, the PRDH did provide us the account in which the income is registered in the accounting system. Also, the PRDH has no record regarding the deductible billed and to whom the clinics billed the service provided. Additionally, the PRDH could be charging services to the medical insurance companies of people that could be considered low-income mothers or children. Therefore, we were unable to determine compliance with the program income requirement for this program.

Criteria

45 CFR section 92.20 (b) (2) and (3) establish that the financial management systems of other grantees and subgrantees must meet the following standards:

- 1) Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- 2) Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-25 PROGRAM INCOME - MCHSBG (CONTINUED)

Criteria (continued)

45 CFR section 92.25 (a) establishes that grantees are encouraged to earn income to defray program costs. Program income includes income from fees for services performed, from the use or rental of real or personal property acquired with grant funds, from the sale of commodities or items fabricated under a grant agreement, and from payments of principal and interest on loans made with grant funds. Except as otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them.

42 USC section 705 (a) (5) (D) establishes that if any charges are imposed for the provision of health services assisted by the State under this subchapter, such charges (i) will be pursuant to a public schedule of charges, (ii) will not be imposed with respect to services provided to low income mothers or children, and (iii) will be adjusted to reflect the income, resources, and family size of the individual provided the services.

Effect

Noncompliance with the program income requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH's management to establish procedures to properly record and account for the program income generated with the federal program funds. It is necessary to designate personnel responsible for the recording of this income, prepare periodical income reports and monitor the service charges to the service recipients. Also, the PRDH should establish adequate controls and procedures, as well as proper safeguarding of the financial and accounting documents.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-26 SECTION 1512 ARRA REPORTS – SE GIF

Federal programs

CFDA 84.393 Special Education – Grants for Infants and Families (Recovery Act)

Category

Compliance / Internal control

Compliance requirement

Reporting

Condition found

We performed procedures to identify the reporting requirements applicable to the Special Education program, Grants for Infants and Families, obtained an understanding of the internal controls over their processing, and determined the criteria and methodology used in compiling and reporting the data included in the applicable reports. After identifying the applicable reports, we requested copies of the Section 1512 ARRA reports submitted for the grant H393A090038A for the quarters ended June 30, 2011, September 30, 2011 and December 31, 2011. However, those reports were not available for examination. Therefore, we were unable to trace and review the supporting records, and ascertain if all applicable data elements were included in the reports. As indicated by the PRDH management, before the year 2014 they disposed of various files which contained federal programs fiscal reports due to health safety issues in the storage. There were no records of the reports maintained in the storage, those that were disposed-off and no other details or documentation to this respect.

Criteria

34 CFR section 80.42 (b) (1) and (2) establish that except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

34 CFR section 80.42 (c) establishes that when grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-26 SECTION 1512 ARRA REPORTS – SE GIF (CONTINUED)

Criteria (continued)

However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

Effect

Noncompliance with the reporting requirements and record retention could lead to significant administrative actions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve the programs objectives.

Questioned costs

None

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Maintain the information and establish recordkeeping procedures to prevent the loss of the documentation that support the information reported to the grantors.
- Plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.
- Maintain a log of the disposition of documents which indicate the reason of disposition, type of documents, date of disposition, and any additional information necessary to maintain an audit trail of the information.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-27 SECTION 1512 ARRA REPORTING - ICA

Federal programs

CFDA 93.712 Immunization Cooperative Agreements – Recovery Act

Category

Compliance / Internal control

Compliance requirement

Reporting

Condition found

We performed procedures to identify the reporting requirements applicable to the Immunization and Vaccines for Children Grants Recovery Act project, obtained an understanding of the internal controls on their processing, and determined the criteria and methodology used in compiling and reporting the data included in the applicable reports. After identifying the applicable reports, we requested copies of the Section 1512 ARRA reports submitted for the grant 3H23IP222501-07S1 for the quarters ended June 30, 2011, September 30, 2011 and December 31, 2011. However, those reports were not available for examination. Therefore, we were unable to trace and review the supporting records, and ascertain if all applicable data elements were included in the reports. As indicated by the PRDH management, before the year 2014 they disposed of various files which contained federal programs fiscal reports due to health safety issues in the storage. There were no records of the reports maintained in the storage, those that were disposed-off and no other details or documentation to this respect.

Criteria

45 CFR section 92.42 (b) (1) and (2) establish that except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

45 CFR section 92.42 (c) establishes that when grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-27 SECTION 1512 ARRA REPORTING – ICA (CONTINUED)

Criteria (continued)

However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

Effect

Noncompliance with the reporting requirements and record retention could lead to significant administrative actions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve the programs objectives.

Questioned costs

None

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Maintain the information and establish recordkeeping procedures to prevent the loss of the documentation that support the information reported to the grantors.
- Plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.
- Maintain a log of the disposition of documents which indicate the reason of disposition, type of documents, date of disposition, and any additional information necessary to maintain an audit trail of the information.

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-28 FINANCIAL REPORTING – CHIP AND MAP

Federal programs

CFDA 93.767 Children's Health Insurance Program
CFDA 93.778 Medical Assistance Program

Category

Compliance / Internal Control

Compliance requirement

Reporting

Condition found

We performed procedures to identify the reporting requirements applicable to the PRDH's CHIP and MAP programs, obtained an understanding of the internal controls related to their processing, and determined the criteria and methodology used in compiling and reporting the data to be included in the applicable reports. We requested copies of the Federal Financial Reports (FFR-425), Quarterly Statement of Expenditures for the Medical Assistance Program (CMS-64), and Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI (CMS-21) that were due during the fiscal year ended June 30, 2012. After review of the quarterly reports selected we noted the following:

- i. The CMS-64 and CMS-21 quarterly reports were submitted after their due date, as follows:

<u>Quarter end date</u>	<u>Quarterly Report due date</u>	<u>Date submitted</u>	<u>Days elapsed after due date</u>
9/30/2011	10/30/2011	4/2/2012	153 days
12/30/2011	1/30/2012	6/6/2012	126 days
3/30/2012	4/30/2012	8/1/2012	123 days

- ii. The FFR-425 quarterly reports were submitted after their due date, as follows:

<u>Quarter end date</u>	<u>Quarterly Report due date</u>	<u>Date submitted</u>	<u>Days elapsed after due date</u>
12/30/2011	1/30/2012	2/1/2012	2 days
3/30/2012	4/30/2012	5/3/2012	3 days

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-28 FINANCIAL REPORTING – CHIP AND MAP (CONTINUED)

Condition found (continued)

The deficiencies noted were the result of the absence of adequate internal control procedures for the tracking and reviewing of the program reports in accordance with the programs requirements.

Criteria

45 CFR section 92.41 (b) (4) establishes that when reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

42 CFR section 430.30 (c) (1) establishes that the State must submit Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) to the central office (with a copy to the regional office) not later than 30 days after the end of each quarter.

42 CFR section 457.630 (c) (1) establishes that the State must submit Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) and Form CMS-21 (Quarterly Children's Health Insurance Program Statement of Expenditures for title XXI), to central office (with a copy to the regional office) not later than 30 days after the end of the quarter.

Effect

Noncompliance with the reporting requirements could lead to significant administrative actions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve the programs objectives.

Questioned costs

None

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Establish adequate policies and procedures to ensure that reports are submitted on or before their due dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-28 FINANCIAL REPORTING – CHIP AND MAP (CONTINUED)

Recommendations (continued)

- Establish adequate supervisory procedures in order to identify, in a reasonable period of time, deficiencies or possible deficiencies in the procedures or guidance established by management in order to ascertain that the PRDH reports the information as required by grantors, accurately and on a timely manner.

These procedures would enable the PRDH to identify compliance with the goals established by the grantors or identify issues that could affect the PRDH's compliance with the programs requirements as established in the grants or cooperative agreements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-29 FINANCIAL REPORTING - NBHPP

Federal programs

CFDA 93.889 National Bioterrorism Hospital Preparedness Program

Category

Compliance / Internal Control

Compliance requirement

Reporting

Condition found

We performed procedures to identify the reporting requirements applicable to the PRDH, obtained an understanding of the internal controls over their processing, and determined the criteria and methodology used in compiling and reporting the data to be included in the applicable reports. We requested copy of the Federal Financial Reports (FFR-425) for the grants 6U3REP090222-02 (annual report) and 6U3REP090222-03 (mid-year report), and evidence as to the date of their submission. After review of the Federal Financial Reports (FFR-425) for those grants, we noted the following:

- i. The FFR-425 for the grant 6U3REP090222-03 was submitted by PRDH on February 14, 2012, when the report due date was January 30, 2012. Report was submitted 15 days after the report due date.
- ii. For the FFR-425 for the grant 6U3REP090222-03 the recipient share information was not included in the report. The PRDH is required to contribute \$467,329 for this grant (10% of the total amount of federal funds expended).

Also, we requested the End-of-Year Progress Report for the grant 6U3REP090222-02 that was due on September 30, 2011. A copy of the report and evidence of submission were not available for examination.

The deficiency noted was the result of the absence of adequate internal control procedures for the tracking and reviewing of the Federal Financial Reports in accordance with program requirements.

----- This Space Is Intentionally Left In Blank -----

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-29 FINANCIAL REPORTING - NBHPP (CONTINUED)

Criteria

45 CFR section 92.41 (b) (4) establishes that when reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period. When required on an annual basis, they will be due 90 days after the grant year. Final reports will be due 90 days after the expiration or termination of grant support.

45 CFR section 92.20 (b) (1) establishes that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Special Term and Condition number 14 of the Notice of Award of the grant 6U3REP090222-03 establishes that the SF425 will be used for reporting expenditure data to meet ASPR's (Assistant Secretary for Preparedness and Response) semi-annual and annual financial reporting requirement (replacing SF269). All other lines except 10.a through 10.c should be completed according to the following timeline: Semi-annually within 30 days after the first six month period, January 30, 2012, and 120 days of the budget period end date, October 30, 2012.

45 CFR section 92.42 (b) (1) and (2) establish that records must be retained for three years from the starting date specified in paragraph (c) of this section. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

45 CFR section 92.42 (c) (1) states that when grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

Effect

Noncompliance with the reporting requirements could lead to significant administrative actions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve the programs objectives.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-29 FINANCIAL REPORTING - NBHPP (CONTINUED)

Questioned costs

None

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Establish adequate policies and procedures to ensure that reports are submitted on or before their due dates.
- Establish adequate supervisory procedures in order to identify, in a reasonable period of time, deficiencies or possible deficiencies in the procedures or guidance established by management in order to ascertain that the PRDH reports the information as required by grantors completely, accurately and on a timely manner.
- Maintain the information and establish recordkeeping procedures to prevent the loss of the documentation that support the information reported to grantors.

These procedures would enable the PRDH to identify compliance with the goals established by the grantors or identify issues that could affect the PRDH's compliance with the programs requirements as established in the grants or cooperative agreements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-30 FINANCIAL REPORTING - MCHSBG

Federal programs

CFDA 93.994 Maternal and Child Health Services Block Grant to the States

Category

Compliance / Internal Control

Compliance requirement

Reporting

Condition found

We performed procedures to identify the reporting requirements applicable to the PRDH, obtained an understanding of the internal controls over their processing, and determined the criteria and methodology used in compiling and reporting the data to be included in the applicable reports. We requested copy of the Federal Financial Reports (FFR-425) for the grants B04MC1701 (closeout) and B04MC21384 (annual) and evidence as of their date of submission. However, the FFR-425 reports requested were not available for examination. Therefore, we were unable to ascertain if the financial reports were complete, accurate, and prepared in accordance with the required accounting basis.

The exception mentioned above is the result of the absence of adequate internal control procedures for the recordkeeping of the federal financial reports and related supporting documentation.

Criteria

45 CFR sections 92.42 (b) (1) and (2) establish that records must be retained for three years from the starting date specified in paragraph (c) of this section. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

45 CFR section 92.42 (c) (1) states that when grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-30 FINANCIAL REPORTING - MCHSBG (CONTINUED)

Criteria (continued)

In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

45 CFR section 92.42 (e) states that the awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

Effect

Noncompliance with the reporting requirements could lead to significant administrative actions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve the programs objectives.

Questioned costs

None

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Establish adequate policies and procedures to ensure that reports are submitted on or before their due dates.
- Establish adequate supervisory procedures in order to identify, in a reasonable period of time, deficiencies or possible deficiencies in the procedures or guidance established by management in order to ascertain that the PRDH reports the information as required by grantors, accurately and on a timely manner.
- Maintain the information and establish recordkeeping procedures to prevent the loss of the documentation that support the information reported to grantors.

These procedures would enable the PRDH to identify compliance with the goals established by the grantors or identify issues that could affect the PRDH's compliance with the programs requirements as established in the grants or cooperative agreements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-31 FEDERAL FUNDING ACCOUNTABILITY AND
 TRANSPARENCY ACT

Federal programs

CFDA 93.917 HIV Care Formula Grants
CFDA 93.069 Public Health Emergency Preparedness
CFDA 93.994 Maternal and Child Health Services Block Grant to the States
CFDA 93.889 National Bioterrorism Hospital Preparedness Program

Category

Compliance / Internal control

Compliance requirement

Reporting

Condition found

We performed procedures to obtain an understanding of the internal controls and procedures established by the PRDH to comply with the reporting requirements under the Federal Funding Accountability and Transparency Act. After performing these procedures, we noted that for the fiscal year ended June 30, 2012, the PRDH did not establish policies and procedures in order to gather the required subaward information required by the Act and to comply with the reporting submission of subaward of funds through the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Criteria

2 CFR section 170 Appendix A (a) (1) establishes that the grantee must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) for a subaward to an entity.

2 CFR section 170 Appendix A (a) (2) establishes that the grantee must report each obligating action described in paragraph a.1. of the award term to <http://www.fsrs.gov>. For subaward information, report no later than the end of the month following the month in which the obligation was made.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-31 FEDERAL FUNDING ACCOUNTABILITY AND
TRANSPARENCY ACT (CONTINUED)

Effect

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

Questioned costs

None

Recommendations

We recommend the PRDH to establish adequate procedures and controls, which shall consider, among others, the following:

- Establish policies and procedures to provide reasonable assurance that the PRDH identifies, captures, and report the required information established by federal regulations. Additionally, the PRDH shall process and maintain electronically the subrecipient data to facilitate its analysis and maintain the corresponding audit trail. This would enable the PRDH to maintain an information system capable of providing reliable processing of the performance information related to the federal awards.
- Establish adequate policies and procedures to ensure that reports are submitted on or before their due dates.
- Establish adequate supervisory procedures in order to identify, in a reasonable period of time, deficiencies or possible deficiencies in the procedures or guidance established by management in order to ascertain that the PRDH reports the information as required by grantors, accurately and on a timely manner.

These procedures would enable the PRDH to identify compliance with the goals established by the grantors or identify issues that could affect the PRDH's compliance with the programs requirements as established in the grants or cooperative agreements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-32 MONITORING – PHEP AND NBHPP

Federal programs

CFDA 93.069 Public Health Emergency Preparedness
CFDA 93.889 National Bioterrorism Hospital Preparedness Program

Category

Compliance / Internal control

Compliance requirement

Subrecipient Monitoring

Condition found

To test compliance with the requirement with subrecipient monitoring for the programs indicated above, we inquired management and officials of the PRDH to determine if the activities of their subrecipients were monitored to ensure compliance with federal requirements and the related cooperative agreement. After performing these procedures, we noted that the PRDH failed to perform monitoring activities during the fiscal year ended June 30, 2012 in order to obtain reasonable assurance that its subrecipients used Federal funds granted for the authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals. Total disbursements made by the PRDH to the programs' subrecipients during the year ended June 30, 2012, were as follows:

<u>Program</u>	<u>CFDA No.</u>	<u>Amount</u>
Public Health Emergency Preparedness	93.069	\$ 663,000
National Bioterrorism Hospital Preparedness Program	93.889	<u>1,832,153</u>
		<u>\$ 2,495,153</u>

Criteria

45 CFR section 92.40 (a) establishes that grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Sections 400(d) (3) through (6) of the OMB Circular A-133 establish that pass-through entities must:

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-32 MONITORING – PHEP AND NBHPP (CONTINUED)

Criteria (continued)

- Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of such part for that fiscal year.
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

Effect

Lack of monitoring procedures preclude the PRDH to prevent, detect and correct significant instances of noncompliance by their subrecipients and may expose the PRDH to administrative actions by the grantor and/or questioned costs. .

Questioned costs

Could not be determined

Recommendations

The PRDH shall establish internal controls and monitoring procedures to ensure that subrecipients comply with the terms and conditions established in the applicable agreement with each subrecipient. Such procedures will ensure that in the event of noncompliance the PRDH may take the appropriate actions to recover funds granted in order to prevent cost disallowances.

These procedures shall consider, among others, the following:

- a) Perform site visits to sub recipients to review financial and programmatic records, observe operations, establish regular contacts with subrecipients, and make appropriate inquiries concerning the federal program.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-32 MONITORING – PHEP AND NBHPP (CONTINUED)

Recommendations (continued)

- b) Review sub recipients' reports and follow-up on areas of concern, monitor subrecipients budgets and offer technical assistance when needed.
- c) Methodology for resolving findings of subrecipients' noncompliance or weaknesses in internal control, and the requirements for and processing of subrecipients audits, including appropriate adjustments of pass-through entities accounts.
- d) Issuance of timely management decisions to inform the sub recipients about whether the corrective action plans for the audit and monitoring findings are acceptable.
- e) Maintain a system to track and follow-up on reported deficiencies related to activities funded with each program and ensure that timely corrective action is taken.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-33 REVIEW OF FOOD INSTRUMENTS - WIC

Federal programs

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Category

Compliance / Internal control

Compliance requirement

Special Tests and Provisions

Condition found

To test compliance with the requirement with Special Tests and Provisions - Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors requirement for the WIC program, we obtained the exceptions report for the period from July 1, 2011 to June 30, 2012. We selected a sample of 25 transactions and noted that in 16 of the 25 transactions selected, the PRDH failed to complete the review process in the 120-days timeframe. The time elapsed for the transactions with over 120 days in the review process ranged from 126 to 837 days.

Criteria

7 CFR section 246.12 (k) (1) establishes that the State agency must design and implement a system to review food instruments and cash-value vouchers submitted by vendors for redemption to ensure compliance with the applicable price limitations and to detect questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors. This review must examine either all or a representative sample of the food instruments and cash-value vouchers and may be done either before or after the State agency makes payments on the food instruments or cash-value vouchers. The review of food instruments must include a price comparison or other edit designed to ensure compliance with the applicable price limitations and to assist in detecting vendor overcharges. For printed food instruments and cash-value vouchers the system also must detect the following errors - purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; food instruments or cash-value vouchers transacted or redeemed after the specified time periods; and, as appropriate, altered purchase price. The State agency must take follow-up action within 120 days of detecting any questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors and must implement procedures to reduce the number of errors when possible.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-33 REVIEW OF FOOD INSTRUMENTS - WIC (CONTINUED)

Effect

Noncompliance with the above mentioned requirements could lead to administrative actions and penalties by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, program guidance, and grant agreements.

Questioned costs

Could not be determined

Recommendations

The PRDH shall review its policies and procedures related to the review of food instruments exceptions identified, in a period no greater than 120 days. The PRDH shall identify the exceptions on a daily basis through its personnel in order to begin to reduce the actual timeframe that the PRDH takes to resolve an exception.

The PRDH shall assign and train personnel to this task as a measure to correct this deficiency. The assignment of personnel and review of the actual procedures could assist the PRDH in preparing financial reports in a timely manner and reduce instances of preparing revised financial report after the initial due date.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-34 AUTHORIZATION OF ABOVE-50-PERCENT VENDORS - WIC

Federal programs

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Category

Compliance / Internal control

Compliance requirement

Special Tests and Provisions

Condition found

In order to determine whether the State agency obtained the required FNS certification on the use of above-50-percent vendors and observed regulatory restrictions on the use of such vendors for the fiscal year ended June 30, 2012 under the WIC program, we performed the following:

- i. We requested the FNS certification of the State vendor cost containment system in order to ascertain it was within the required time frames; however, the information was not available for examination.
- ii. We requested the quarterly cost neutrality assessments performed by the PRDH during the year ended June 30, 2012; however, no evidence was provided of the quarterly cost neutrality assessments performed by the PRDH during the fiscal year in accordance with the required timeframe

Therefore, we were unable to determine compliance with the Special Tests and Provisions - Authorization of Above-50-Percent Vendors requirement for this program.

Criteria

7 CFR section 246.12 (g) (4) (i) (D) establishes that the State agency must receive FNS certification of its vendor cost containment system under section 246.12(g)(4)(vi) prior to authorizing any above-50-percent vendors. The State agency that chooses to authorize any above-50-percent vendors:

----- This Space Is Intentionally Left In Blank -----

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-34 AUTHORIZATION OF ABOVE-50-PERCENT VENDORS - WIC
(CONTINUED)

Criteria (continued)

- i. Must ensure that the prices of above-50-percent vendors do not inflate the competitive price criteria and allowable reimbursement levels for the peer groups or result in higher total food costs if program participants transact their food instruments at above-50-percent vendors rather than at other vendors that do not meet the above-50-percent criterion. To comply with this requirement, the State agency must compare the average cost of each type of food instrument redeemed by above-50-percent vendors against the average cost of the same type of food instrument redeemed by regular vendors. The average cost per food instrument may be weighted to reflect the relative proportion of food instruments redeemed by each category of vendors in the peer group system. The State agency must compute statewide average costs per food instrument at least quarterly to monitor compliance with this requirement. If average payments per food instrument for above-50-percent vendors exceed average payments per food instrument to regular vendors, then the State agency must take necessary action to ensure compliance, such as adjusting payment levels. Where EBT systems are in use, it may be more appropriate to compare prices of individual WIC food items to ensure that average payments to above-50-percent vendors do not exceed average payments for the same food item to comparable vendors. If FNS determines that a State agency has failed to ensure that above-50-percent vendors do not result in higher costs to the program than if participants transact their food instruments at regular vendors, FNS will establish a claim against the State agency to recover excess food funds expended and will require remedial action. A State agency may exclude partially-redeemed food instruments from a quarterly cost neutrality assessment based on an empirical methodology approved by FNS. A State agency may not exclude food instruments from the quarterly cost neutrality assessment based on a rate of partially-redeemed food instruments.

7 CFR section 3016.42 (e) (1) establishes that the awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

Effect

Noncompliance with the above mentioned requirements could lead to administrative actions and penalties by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, program guidance, and grant agreements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-34 AUTHORIZATION OF ABOVE-50-PERCENT VENDORS - WIC
(CONTINUED)

Questioned costs

Could not be determined

Recommendations

The PRDH shall perform the quarterly cost neutrality assessments in the time frame required by program regulations. The PRDH shall also establish adequate supervisory procedures in order to identify, in a reasonable period of time, deficiencies or possible deficiencies in the procedures or guidance established by management in order to ascertain that the PRDH complete the required assessments as required by the grantor, accurately and on a timely manner.

The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-35 COMPLIANCE INVESTIGATIONS - WIC

Federal programs

CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Category

Compliance / Internal control

Compliance requirement

Special Tests and Provisions
Monitoring

Condition found

To test compliance with the requirement with Special Tests and Provisions - Compliance Investigations of High-Risk Vendors requirement for the WIC program, we requested the list of the high risk vendors identified and the list of the compliance investigations performed during the fiscal year ended June 30, 2012. We selected five vendors from the list provided of high risk and requested the routine monitoring or compliance investigations. After examination of the monitoring files, we noted that the PRDH identified deficiencies during the monitoring visits; however, there was no evidence on whether the PRDH ensured that vendors took appropriate and timely corrective action on all the monitoring findings.

Criteria

7 CFR section 246.12 (j) (2) establishes that the State agency must conduct routine monitoring visits on a minimum of five percent of the number of vendors authorized by the State agency as of October 1 of each fiscal year in order to survey the types and levels of abuse and errors among authorized vendors and to take corrective actions, as appropriate. The State agency must develop criteria to determine which vendors will receive routine monitoring visits and must include such criteria in its State Plan in accordance with § 246.4(a)(14)(iv).

7 CFR section 246.12 (j) (4) establishes that the State agency must conduct compliance investigations of a minimum of five percent of the number of vendors authorized by the State agency as of October 1 of each fiscal year. The State agency must conduct compliance investigations on all high-risk vendors up to the five percent minimum. The State agency may count toward this requirement a compliance investigation of a high-risk vendor conducted by a Federal, State, or local law enforcement agency.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-35 COMPLIANCE INVESTIGATIONS - WIC (CONTINUED)

Criteria (continued)

The State agency also may count toward this requirement a compliance investigation conducted by another WIC State agency provided that the State agency implements the option to establish State agency sanctions based on mandatory sanctions imposed by the other WIC State agency, as specified in paragraph (I)(2)(iii) of this section. A compliance investigation of a high-risk vendor may be considered complete when the State agency determines that a sufficient number of compliance buys have been conducted to provide evidence of program noncompliance, when two compliance buys have been conducted in which no program violations are found, or when an inventory audit has been completed.

7 CFR section 3016.40 (a) establishes that grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Effect

Noncompliance with the above mentioned requirements could lead to administrative actions and penalties by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, program guidance, and grant agreements.

Questioned costs

Could not be determined

Recommendations

We recommend the PRDH to use the following guidelines to monitor on a timely basis the vendors' compliance with federal programs requirements:

- a) Review vendor' reports and follow-up on areas of concern, and identify areas for which technical assistance is needed.
- b) Issuance of timely management decisions to inform the vendors about whether the corrective action plans monitoring findings is acceptable.
- c) Maintain a system to track and follow-up on reported deficiencies related to activities funded with this program and ensure that timely corrective action is taken.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-36 ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW - MAP

Federal programs

CFDA 93.778 Medical Assistance Program

Category

Compliance / Internal control

Compliance requirement

Special Tests and Provisions

Condition found

To test compliance with the requirement with the Special Test and Provision requirement of the ADP Risk Analysis and System Security Review for the Medical Assistance Program, we requested the most recent review performed by the PRDH during the current or past two years. However, no evidence was provided to ascertain that the PRDH performed such review and during the required timeframe (biennial basis).

Criteria

45 CFR section 95.621 (f) (3) establishes that the State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of the physical and data security operating procedures, and personnel practices.

Effect

The PRDH is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

----- This Space Is Intentionally Left In Blank -----

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

FINDING NO. 2012-36 ADP RISK ANALYSIS AND SYSTEM SECURITY REVIEW - MAP
(CONTINUED)

Recommendations

The PRDH shall perform on a bi-annual basis the ADP Risk Analysis and System Security Review required by program regulations. The PRDH shall also establish adequate supervisory procedures in order to identify, in a reasonable period of time, deficiencies or possible deficiencies in the procedures or guidance established by management in order to ascertain that the PRDH complete the required assessments as required by the grantor, accurately and on a timely manner.

The PRDH shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents. The PRDH shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

**SCHEDULE OF PRIOR YEAR
AUDIT FINDINGS**

**PUERTO RICO DEPARTMENT OF HEALTH
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2011**

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-II-01	Yes 2012-02	Yes 2013-02	2009	<p>FINANCIAL STATEMENT FINDING - ACCOUNTING SYSTEM AND RECORDS</p> <p>During our audit, we noted that the accounting records are primarily designed for the recording of revenues, expenditures, and other limited transactions and not to provide the necessary information for the preparation of the financial statement in accordance with generally accepted accounting principles. The accounting records currently used contain substantially all financial events but such records do not provide on a timely basis adequate financial reports. During our tests we noticed the following exceptions:</p> <ol style="list-style-type: none"> No adequate and timely recording procedures were followed in the preparation of the general ledger accounts. The reconciliations between the accounting records of the federal programs and the Office of External Resources were not made each three months as established by the Finance Department's policies. Payroll analysis were performed and accounted for various years after the fiscal period had ended. Lack of analysis of accounting records to determine the outstanding obligations at the end of the program 	<p>10.557, 84.181, 93.069, 93.268, 93.778, 93.767, 93.917, 93.940, 93.889, 93.994</p>	<p>TOTAL QUESTIONED COSTS: NONE</p>	PARTIALLY CORRECTED	<p>The Finance Office provides training to its personnel on a continuous basis. Trainings are provided based on the needs identified. The Accounting Supervisor holds continuous meetings with the Finance and Program personnel where they discussed and review the Office's significant processes, reconciliation process, and closing process, among others. Also, the Finance Director sends periodic memoranda to its personnel. These memoranda includes; detailed instructions of procedures, the recording of transactions and ongoing notifications regarding significant matters to the personnel attention. Among the memoranda distributed to employee in recent years as follows:</p> <ol style="list-style-type: none"> Procedures Manual for the Reconciliation between the systems PRIFAS 7.5 y PeopleSoft 8.4 (PS 8.4) Procedures/Instructions for the Year-End Closing and Recognition of Outstanding Obligations. Office of Federal Affairs Fiscal Procedures. <p>During the year 2014, the Finance Office has made some improvements in the year-end closing procedures. Finance/Accounting personnel verifies the transactions that are in progress, pending and /or not approve in PS 8.4 on a periodic basis. The personnel follows up on the Program personnel for Payment</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
				<p>e. The Department was unable to provide us complete evidence of the reconciliations of the accounting transactions with the ones recorded in the Puerto Rico Integrated Financial Accounting System ("PRIFAS") of the Treasury Department as required by Regulation Number 49 of March 20, 2007 of Puerto Rico Government.</p>				<p>Vouchers that are not approved. Program personnel should either approve or cancel the payment voucher. For Collections Vouchers that are not approved, follow up is given to the Billing and Collections Office.</p> <p>As part of the improvements related to the Finance Office Processes and as a the corrective action plan, the PRDH will perform the following:</p> <ol style="list-style-type: none"> To correct and/or improve the recording process of the payroll transactions, the PRDH will request the Puerto Rico Treasury Department (PRTD) the creation of account/accounts codes based on the Federal Grant Distribution (grant, project, programmatic activities, etc.) for payroll accounts. Accounts in PS 8.4 are created by category, project and/or programmatic activity for all other expenditures and charges non payroll related, such as suppliers and other services. Currently, the payroll transactions are being charge to a single account, not distributed by project and/or activity. Due to this fact, Federal Programs need to perform a manual reconciliation of the payroll expense, by category, project and/or programmatic activity. The reconciliation if done based on the PRTD GL 200 reports, which includes the details of the payroll charges. The reconciliation is done in order to maintain a control, tracing of funds, amounts budgeted and expended by category, project, programmatic activity and the preparation of the Federal

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
								<p>Financial Reports (FFR). With these new set or creation of chart of accounts and account codes for payroll transactions:</p> <p>a) The PRDH will be able to obtain financial information directly through PS 8.4. This will eliminate the alternate manual control for preparing the reconciliation maintain by the Federal Programs.</p> <p>b) The PRDH Will reduce the payroll transaction currently classified as in "error" as part of the interphase between PRTD payroll module (PRIFAS 7.5) and PS 8.4 to register the payroll expense. These transactions in "error" require an extra effort from the Finance Office personnel to reconcile and register/post them in PS 8.4.</p> <p>c) Reduce the payroll charges by PRIFAS 7.5 to accounts that should be closed and/or with no budget, and which require additional reconciliation efforts.</p> <p>d) The Program and Finance Offices' personnel will be able to perform the year-end closing, adjustments and reconciliation procedures in a more effective and efficient manner.</p> <p>2. The Accounting Supervisor will prepare and send a communication to all Federal Programs to establish deadlines for the review, reconciliation and adjustments to be provided by the Program to the Accounting Office. This will ensure that the adjustments are recorded in a timely</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-01	Yes 2012-02	Yes 2013-02	2009	FINANCIAL ADMINISTRATION - STANDARDS FOR FINANCIAL MANAGEMENT Refer to Section II Accounting System and Records, Finding Reference Number 2011-II-01 for the condition, criteria, effect, cause, recommendation and questioned costs.	10.557, 84.181, 93.069, 93.268, 93.778, 93.767, 93.917, 93.940, 93.889, 93.994	TOTAL QUESTIONED Costs: NONE	PARTIALLY CORRECTED	<p>manner.</p> <p>3. The Budget Office will strengthen their procedures related to the creation of accounts or projects for federal awards and ensure the inclusion of the correct CFDA number.</p> <p>4. Training sessions will be held for the Finance Office and Program personnel. These training sessions will be based on significant processes, recording of transactions, reconciliation procedures, year-end closing procedures and any other subject to be addressed in order to ensure the proper recording of transaction of the PRDH.</p> <p>Implementation of the Corrective Action Plan, will be divided in different phases and will involve different Offices within the PRDH. The PRDH will design a timetable to comply with the CAP. Full implementation is expected to be completed on or before the end of the fiscal year June 30, 2016.</p> <p>Refer to CAP for Finding 2011-II-01, above.</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-02	Yes 2012-13	Yes 2013-14	2009	<p>EQUIPMENT MANAGEMENT</p> <p>During our audit, we noted that the Department does not maintain adequate internal control procedures for the accountability and safeguarding of property and equipment acquired with federal funds. We noted the following deficiencies in the property area:</p> <p>a. During 2008 the Department implemented a new financial management system for the recording of financial transactions. The system, "People Soft", includes a property module that provides for the recording of purchase, transfer, and disposal of equipment. At the audit date, we noted that the module is used mainly for the preparation of purchase orders and not for the administration and recording of transactions related to the Department's equipment. All the property schedules provided by the Property Division consisted of Excel spreadsheets and handwritten documentation. We obtained a formal property subsidiary from the People Soft system from the Finance Department but the subsidiary did not contain all equipment transactions.</p> <p>b. The Department did not provide evidence to us that a physical inventory was performed during fiscal year 2011.</p> <p>c. The Department did not provide evidence to us that reconciliation among the property subsidiary, physical inventory and general ledger was</p>	<p>10.557, 93.069, 93.917, 93.940, 93.889, 93.994</p>	<p>TOTAL QUESTIONED COSTS: NONE</p>	PARTIALLY CORRECTED	<p>The PRDOH uses the Property Module of the PeopleSoft v.8.4 system (PS 8.4) to register the additions of property and equipment, the process initiates upon request by each program/office through the e-Procurement Module, then throughout the system to the Purchases Office until payment of the asset is effective. The module also has managing functionalities and capacities such as: warranties, repairs and maintenance, custody, locations, additions, retirements & transfers.</p> <p>The PRDOH has segregated the inventory of property and equipment by Asset Management Business Units. Each Asset Business Unit has a designated Personnel, which is in charge of managing the property and equipment and the physical inventory.</p> <p>The PRDH has been working towards the improvement of the property management processes during the recent years. During the year 2013, several training sessions were provided to the property personnel. These trainings included the functionality of the Property module as well as procedures to improve the property and equipment management. Also, certain modifications have been made to the property module, including an automatic unique number assigned to the property purchased and registered in the system. A revised Manual of Property and Equipment Management and Procedures was prepared and issued on June 30, 2015.</p> <p>As part of the year-end closing and as a required by of the Puerto Rico Treasury</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
				performed during fiscal year 2011.				<p>Department (PRTD), the PRDOH prepares a report which includes all the additions and retirements for the year (Additions and Retirements Reports PRTD) of property by Asset Management Business Unit. The afford mentioned reports are verified and reconciled by the Property Office and the Finance Office personnel, in order to ensure that the items are included on the physical inventory reports, as well as in PS 8.4. Any differences found are investigate and adjusted in PS 8.4, as considered necessary.</p> <p>As part of the improvements related to the Property Management Processes and as a the corrective action plan, the PRDH will perform the following:</p> <ol style="list-style-type: none"> 1. Property beginning balances will be register in PeopleSoft 8.4. As part of the conversion to PS 8.4, certain balances were not registered. 2. Preform physical inventory per Asset Management Business Unit. A calendar for the physical inventory activity will be prepared. 3. Reconcile the Physical Inventory Reports with the Property and Equipment Subsidiary. Any differences will be adjusted in the GL. 4. Reconcile the Property and Equipment Subsidiary with the General Ledger. 5. Training sessions will be provided to Property and Finance Personnel. The training sessions will be based on the revised Manual of Property and Equipment Management and Procedures

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-03	Yes 2012-09	Yes 2013-10	2009	<p>ELIGIBILITY OF PARTICIPANTS</p> <p>We selected for test sixty participant files in order to determine compliance with state and federal regulations regarding eligibility requirements. We noted the following exceptions:</p> <ul style="list-style-type: none"> a. In four cases the identification evidence was not on file. b. In four cases the income evidence was not on file. c. In eleven cases the residence evidence was not on file. d. In five cases the hematological test was not on file. e. One file was not available for our examination. f. In six cases the supporting documents were not on file for the period under audit. 	10.557	<p>TOTAL QUESTIONED COSTS: NONE</p>	NOT CORRECTED	<p>As part of the CAP the following actions will be implemented:</p> <ol style="list-style-type: none"> 1. Central office staff (supervisors of the Nutrition Division and Policies and Procedures Division) will be offering retraining on the Policies and Procedures (P&Ps) on Certification and Eligibility (P&Ps 3.01, 3.04, 3.05 and 3.06). 2. Staff from all regional offices (regional director and regional supervisor of nutrition) will coordinate with central office staff the date and place of such retraining.
2011-III-04 SUBRECIPIENT MONITORING	No	No	2009	<p>We requested to the Department a detail of the monitories performed during the year in order to test subrecipient monitoring requirement and found the following deficiencies:</p> <p>a)the Department did not comply with the review requirement of each local agency at least once every two years in the seven local</p>	10.557	<p>TOTAL QUESTIONED COSTS: NONE</p>	NOT CORRECTED	<p>The Program did not comply with the review requirement of each local agency at least once every two years and the on-site visits reviews of a minimum of 20% percent of the clinics, whichever is greater. However, the program has been working with the implementation of the CAP and towards the correction of this finding. During September 2014, the Program submitted a reviewed Program Monitoring Plan</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-05	No	No	2009	<p>agencies and, (b) in the seven local agencies the Department did not comply with the on-site reviews of a minimum of 20 percent of the clinics in each local agency or one clinic, whichever is greater.</p>				<p>Tool Kit for final approval. This reviewed Plan included certain modifications to improve the effectiveness and efficiency of the Plan. The Program intends to correct this finding with the application of this Tool Kit.</p> <p>Visits were made to the Bayamón, Caguas and San Juan Regions. Although these visits were made, the reports of the visits were not properly prepared and plans/procedures performed were not towards the correction of this finding.</p> <p>Several changes have been incorporated to the previously mentioned Program Monitoring Review Tool. Its title has been changed to "PRWIC State/Region to Clinic Monitoring Tool." It was submitted for the approval of FNS in November 2014 and in February 5, 2015 they answered the Program incorporating some recommendations.</p> <p>The Program expects to complete the training to it personnel comply with the federal requirements during the next two fiscal years 2014-2015 and 2015-2016.</p>
				<p>SPECIAL TESTS AND PROVISIONS – FOOD INSTRUMENT DISPOSITION During our test of Food Instrument Disposition procedures, we found in a sample of twelve checks (six for the region of Mayaguez for September 2010 and six for the region of Caguas for March 2011) the following:</p>	10.557	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-06	Yes 2012-33	Yes 2013-31	2009	<p>a. One check was paid to the vendor before the first day of use.</p> <p>b. The Detail Checks Issued Report do not identify the duplicated checks.</p> <p>SPECIAL TEST AND PROVISIONS – REVIEW OF FOOD INSTRUMENT TO ENFORCE PRICE LIMITATIONS AND DETECT ERROR</p> <p>We evaluated twenty-five checks from the Exception Report and noted the following exceptions:</p> <p>a. In three checks examined, the Program did not take appropriate follow-up corrective action.</p> <p>b. In nineteen checks examined, the Program did not comply with the required 120-day time frame to review and correct exceptions.</p>	10.557	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	As part of the corrective Action Plan: 1. The WIC Finance Office will continue its efforts to daily review of screens (Payments on Hold) with exceptions generated in the Check by Check Report. 2. The WIC Program is committed to assign additional staff to daily evaluate and review the Report of Exceptions to be paid within the required 120-days timeframe.
2011-III-07	Yes 2012-35 2012-34	Yes 2013-32	2006	<p>SPECIAL TESTS AND PROVISION – COMPLIANCE INVESTIGATIONS OF HIGH RISK VENDORS</p> <p>During our audit, we noted that the Department did not perform compliance investigations for a minimum of 5% of the authorized vendors. Also, we noted that compliance buys have not been performed since the year 2006.</p>	10.557	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	<p>The WIC Program recognizes that it did not perform compliance investigations in the previous FYs 2012, 2013 & 2014. Although efforts were made to comply with this requirement during FY 2015, we are still taking the necessary actions towards is full compliance.</p> <p>As part of the Corrective Action Plan (CAP), the following actions will be implemented:</p> <ol style="list-style-type: none"> 1. Start the procurement process in order to establish a working relationship with a contractor that will be in charge of conducting the compliance investigations. 2. Review vendors' reports to detect areas of concern as well as to identify areas in need of technical assistance 3. Proceed to issue timely management decisions to inform vendors on monitoring

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-08	NO	NO	2009	<p>SPECIAL TEST AND PROVISIONS - VENDOR SELECTION</p> <p>We selected for test twenty vendor files in order to determine compliance with Program selection requirements. We noted the following exceptions:</p> <ul style="list-style-type: none"> a. In four cases the Municipal Taxes Certifications were expired b. In one case the Penal Record Certificate was expired. c. In three cases the Sanitation Licenses were expired. d. In five cases the Penal record were not on file. e. In two cases the Sanitation Licenses were not in file f. In one case the Municipal Taxes Certification was not on file. g. In five cases the Negative Certification from the Treasury Department were not on file. h. In six cases the Negative Certification from the Labor Department were not on file. i. In five cases the Negative Certification from the CRIM were not on file. j. In seven cases the Negative Certification from the CFSE were not on file. k. In six cases the Negative Certification from the ASUME were not on file. l. In five cases the Treasury Department Certifications were not on file. 	10.557	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	<p>findings.</p> <p>4. Maintain a system to track and follow-up on reported deficiencies and to ensure that a timely corrective action is taken.</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-09	No	NOT A MAJOR PROGRAM	2009	<p>CASH MANAGEMENT</p> <p>During the examination of the cash management, we found that department has established procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement. We examined six requisitions of the funds and the following deficiencies were found:</p> <ol style="list-style-type: none"> Difference between the requisition of the fund amount and their respective supporting documents. Requisition of fund without their respective supporting documents. A large gap of days between the availability of funds and the disbursements examined. 	84.181	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	
2011-III-10	Yes 2012-26	NOT A MAJOR PROGRAM	2011	<p>REPORTING SECTION 1512 ARRA REPORTING</p> <p>During our test of the Section 1512 ARRA Reporting we noted the following:</p> <ol style="list-style-type: none"> We cannot evaluate the total ARRA expenditures reported in the Section 1512 ARRA Reporting, because the accounting supporting documents were not available for our examination. We cannot examine if the Section 1512 ARRA Reporting was submitted on time, because the Program did not have evidence of the submission confirmation that indicated when the report was submitted. 	84.393	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	<p>The Federal Affairs Office used to submit and file those reports, but before the year 2014, they disposed various files which contain federal program fiscal reports due to health safety issues in the storage. Since those files could not be opened, there are no records of the reports maintained in the storage and no detail was included with the disposition records.</p> <p>Unfortunately, we have no supporting records of those reports. We recognize that maintaining appropriate documentation is a requirement that must be corrected. For that reason, starting this 2016 fiscal year, the Program will be improving the recordkeeping procedures and scanning all fiscal reports submitted to the Federal Government in order to have digital</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-11	No	No	2009	<p>CASH MANAGEMENT</p> <p>During the examination of cash management requirement, we found that the Department has not established procedures to minimize the time elapsing between the transfers of funds from the U.S. Treasury and the disbursement. We examined seven requisitions of funds and the following deficiencies were found:</p> <ul style="list-style-type: none"> a. Difference between the requisition of the funds amount and their respective supporting documents. b. Requisition of funds without their respective supporting documentation. c. A large gap of days between the availability of funds and the disbursement. 	93.069	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	records in case of any loss of paper-based records.
2011-III-12	Yes 2012-19	Yes 2013-21	2009	<p>PERIOD OF AVAILABILITY OF FUNDS</p> <p>During our disbursement test, we verified if the disbursements were paid within the period of availability of funds. We noted that from a total of twenty-seven disbursements examined, seven in the amount of \$1,409,625 were paid after the 90-days period established by the federal regulations.</p>	93.069	TOTAL QUESTIONED COSTS: NONE	PARTIALLY CORRECTED	The Program will develop and implement a procedures to establish due dates to incur into obligations in order to process the closure of the accounts during the period specified by federal regulation. This procedure will serve as a preventive measure to avoid any obligations and/or payments after the allowable period.
2011-III-13	No	Yes 2013-26	2009	<p>FINANCIAL REPORTING</p> <p>During our test of reporting, we found that the Financial Status Report (SF-269) for the 2011 grant was submitted 134 days after the deadline.</p>	93.069	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	<p>The Program encountered issues with its delivery tools (either electronically or manually), thus causing a delay.</p> <p>As a Corrective Action Plan we will:</p> <ol style="list-style-type: none"> 1. Prepare a procedure that includes a

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-14	YES 2012-20	NOT A MAJOR PROGRAM	2009	<p>PERIOD OF AVAILABILITY OF FUNDS During our test of period of availability of funds, we found that obligations in the amount of \$305,909 of the 2009 grants and \$9,434 of the 2010 grants were not disbursed within the established period. The obligation for the 2009 grants should have been disbursed on or before March 31, 2010, and obligations for the 2010 grants should have been disbursed on or before March 31, 2011.</p>	93-268	TOTAL QUESTIONED COSTS: NONE	PARTIALLY CORRECTED	<p>table with deadlines and method of delivery for each program.</p> <p>PAC for FY 2012 The Program concur with this finding for the audited period ended June 30, 2012. However, since January 2013, the program's accountant and the accounts payable clerk have reinforced the communication of pending deadlines to obligations and expenditures. Since that date, the program have been liquidating obligations within the period of availability.</p>
2011-III-15	No	NOT A MAJOR PROGRAM	2009	<p>CASH MANAGEMENT During the examination of the cash management requirement, we noted that the Department has not established procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement. We examined six requisitions of funds amounting to \$1,658,430 and the following deficiencies were found:</p> <ul style="list-style-type: none"> a. Difference between the requisition of the funds amount and their respective supporting documents. b. A large gap of days between the availability of funds and the disbursement. 	93-268	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	
2011-III-16	YES 2012-27	NOT A MAJOR PROGRAM	2011	<p>REPORTING SECTION 1512 ARRA During our test of reporting, we found the following deficiencies:</p> <ul style="list-style-type: none"> a. The Financial Status Report (FSR-269) 	93-712	TOTAL QUESTIONED COSTS:	PARTIALLY CORRECTED	<p>PAC for FY 2012 The Federal Affairs Office used to submit and file those reports, but before the year 2014, they disposed various files which contain</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-17	Yes 2012-28	Yes 2013-27	2009	<p>was submitted 48 days after the deadline.</p> <p>b. The amounts included in the quarterly report PMS - 272 for September 2009 did not agree with the financial record details provided by the Finance Division.</p>	93-778 93-767	NONE	PARTIALLY CORRECTED	<p>federal program fiscal reports due to health safety issues in the storage. Since those files could not be opened, there are no records of the reports maintained in the storage and no detail was included with the disposition records.</p> <p>Unfortunately, we have no supporting records of those reports. We recognize that maintaining appropriate documentation is a requirement that must be corrected. For that reason, starting this 2016 fiscal year, the Program will be improving our recordkeeping procedures and scanning all fiscal reports submitted to the Federal Government in order to have digital records in case of any loss of paper-based records.</p> <p>We have implemented a control sheet for the reports to be submitted by the date they are due. This control sheet was established since August 2014. This control sheet includes the report name, the date due and date submitted. When the report cannot meet the required deadline an extension of time is requested to the federal agency. Once the approval of the time extension is received, the reports are submitted. Appropriate documentation is maintain to support any report submitted after the required deadline as: preliminary and final reports, request and approval of time extensions.</p>
2011-III-18	Yes 2012-36	Yes 2012-33	2009	<p>REPORTING</p> <p>During our test of reporting, we found that the amounts included in the CMS-64 did not agree with the financial record.</p>	93-778	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	<p>The Medicaid Program is currently conducting a HIPAA Security Risk Assessment as per the requirement of the HIPAA regulation. The analysis is being conducted in coordination with</p>

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-19	Yes 2012-08	No	2009	<p>The Department did not provide us with reports or other information to support that periodic onsite surveys and reviews to ADP methods and practices are performed.</p> <p>CASH MANAGEMENT During the examination of the cash management requirement, we noted that the Department has not established procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement. We examined five requisitions of funds and the following deficiencies were found: a. Difference between the requisition of the funds amount and their respective supporting documents. b. A large gap of days between the availability of funds and the disbursement.</p>	93-889	TOTAL QUESTIONED COSTS: NONE	CORRECTED IN FY 2013	<p>the PRDH Information Technology office lead by Mr. Richard Santiago. The assessment will be completed by September 30, 2015.</p> <p>The Medicaid Program will procure services to conduct a System Security Review for the Medicaid systems and applications. During the fiscal year 2013, procedures were established by the Program to comply with the Cash Management Guidelines.</p>
2011-III-20	Yes 2012-22	Yes 2013-21	2009	<p>PERIOD OF AVAILABILITY OF FUNDS During our disbursement test, we verified if the disbursements were paid within the period of availability of funds. We noted that from a total of fifteen disbursements examined, two in the amount of \$746,380 were paid after the 90 days period established by the federal regulations.</p>	93-889	TOTAL QUESTIONED COSTS: NONE	PARTIALLY CORRECTED	<p>The Program will develop and implement a procedures to establish due dates to incur into obligations in order to process the closure of the accounts during the period specified by federal regulation. This procedure will serve as a preventive measure to avoid any obligations and/or payments after the allowable period.</p>
2011-III-21	No	No	2011	<p>ELIGIBILITY We elected for test sixty participants files to determine the compliance with state and federal regulations regarding eligibility</p>	93-917	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-22	NOT A MAJOR PROGRAM	NO	2009	<p>CASH MANAGEMENT</p> <p>During the examination of cash management requirement, we noted that the Department has not established procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement. We examined three requisitions of funds amounting to \$2,963,437 but we could not obtain documentation for the disbursement in the amount of \$1,114,448 related to these requisitions and we also noted a large gap of days between the availability of funds and the disbursement.</p> <p>requirements. We noted the following exceptions:</p> <ul style="list-style-type: none"> a. One participant does not qualify. b. Nine participants files does not have evidence if ID. c. Two participant's files did not have evidence of income verification. 	93.940	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	
2011-III-23	NOT A MAJOR PROGRAM	NO	2009	<p>PERIOD OF AVAILABILITY OF FUNDS</p> <p>During our test of the period of availability of funds, we requested to the Department's personnel a breakdown of the outstanding obligations in the amount of \$92,103 as of December 31, 2010. The outstanding obligations were cancelled after the 90-day period established by the federal regulations. During our disbursement test, we verified if the disbursements were paid within the period of availability of funds. We noted that from a total of fifteen disbursements</p>	93.940	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
				examined, four in the amount of \$907,024 were paid after the 90 days period established by the federal regulations.				
2011-III-24	Yes 2012-30	Yes 2013-28	2009	<p>FINANCIAL REPORTING During our test of reporting, we found that the Financial Status Report (SF-425) for the budget period of the Program ended on September 30, 2011 was submitted 129 days after the deadline.</p>	93.994	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED.	By 2014 Access for the Program to the EHB was granted and we are requesting the reporting extension in a timely manner when needed and Financial Status Reports are being submitted as required.
2011-III-25	No	Yes 2013-09	2009	<p>CASH MANAGEMENT During the examination of the cash management requirement, we could not obtain the breakdown and documentation for the disbursement for the requisitions of funds for the amount of \$4,095,176. For the other two requisitions of funds, we were unable to verify the time between the availability of funds and the disbursement. For this reason, we were unable to determine Department's compliance with this requirement.</p>	93.994	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	For the FY 2014, the Program is requesting the funds for the estimated payroll in a monthly basis to avoid excess in cash balances and to minimize the time elapsed between the settlement date and the disbursement date.
2011-III-26	Yes 2012-25	Yes 2013-25	2009	<p>PROGRAM INCOME The Maternal and Child Health Services Program earns income from Part C, "Children with Special Health Necessities". The income is from deductible payments for medical services provided in the pediatric clinics and the rental of medical equipment. The collection personnel at the pediatric clinics are responsible for the collections of this income. During our test, we found that the Department has not established procedures to account for and record this income. Also, the Department has no accounting records,</p>	93.994	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	A Program Supervisor specifically to work in this area was hired effective August 1, 2015. Evaluation of the process is in progress to correct the deficiency. Development and implementation of the CAP is expected to be completed for the fiscal year ended June 30, 2016.

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
2011-III-27 -	Yes 2012-03	Yes 2013-03	2009	<p>neither information regarding the deductible charged and to whom the clinics charged these deductibles. For these reasons, we were not able to determine the Department's compliance with this requirement.</p> <p>REPORTING The Department has not submitted to the Federal Government the Data Collection Form and the Reporting Package/for the year ended June 30, 2011. The Data Collection Form and the Reporting Package must be submitted by the auditee within the earlier of 30 days after the receipt of the auditor's report or nine months after the audit period/unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.</p>	<p>10.557 84.181 93.069 93.268 93.778 93.767 93.917 93.940 93.889 93.994</p>	<p>TOTAL QUESTIONED COSTS: NONE</p>	<p>NOT CORRECTED</p>	<p>Single Audit reports for the years ended June 30, 2012 and June 30, 2013 are expected to be issued by August 31, 2015. The Data Collection Form and the Reporting Package will be submitted upon issuance of Single Audit Reports. Single Audits for the years ended June 30, 2014 and June 30, 2015 are expected to begin by the end of September 2015. The PRDOH expects to comply with the due date as established by OMB Circular A-133 of issuance and submission of the Single Audit Report, Data Collection Form and the Reporting Package for the year ended June 30, 2015. The Single Audit Report, Data Collection Form and the Reporting Package for the year ended June 30, 2014, will be issued and submitted together with the year ended June 30, 2015.</p>
2011-III-28	Yes 2012-31	Yes 2013-29	2011	<p>REPORTING – FEDERAL FUNDING ACCOUNTABILITY ACT (FATA) The PRDH is not submitting the Federal Funding Accountability and Transparency Act report by the Office of Management and Budget.</p>	<p>10.557 84.181 93.069 93.268 93.778 93.767 93.917 93.940 93.989 93.994</p>	<p>TOTAL QUESTIONED COSTS: NONE</p>	<p>NOT CORRECTED</p>	<p>The Office of Federal Affairs and the Contracts' Office have been working towards the design and implementation of procedures to comply with the reporting requirements under FATA, which includes:</p> <ol style="list-style-type: none"> 1. The Contract Office has established norms and procedures to identify any Sub grantee/award, which exceeds the require amount. These Norms and procedures will be implemented in the upcoming years. 2. Upon identification, the Contracts Office will gather the required

FINDING NUMBER	REPEAT IN 2012	REPEAT IN 2013	1ST APPEAR IN YEAR	FINDING/CONDITION FOUND YEAR 2011	CFDA NUMBER	QUESTIONED COSTS YEAR 2011	STATUS	MANAGEMENT CORRECTIVE ACTION PLAN
								<p>information regarding the Sub grantee/award. The PRDH will not finalized/formalized any contract with a Sub grantee until all the information is gather. This will be accomplish through a checklist of documents and/or information that is requested to Sub grantee/ contractors.</p> <p>3. The Contract Office will prepared a calendar and established deadlines to submit the required information/reports to comply with the FATA requirements.</p>

CORRECTIVE ACTION PLAN

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
<p>2012-01 Disbursement State Funds</p>	<p>During the year ended June 30, 2012, the PRDH charged expenditures to state programs amounting to \$348,218,798 (excluding \$151,366,228 related to payroll expenditures and transfers to the Special Payers). To test compliance with the state laws and regulations, we selected a sample of 20 charges to state funds that totaled \$21,844,119 (6%). In testing compliance and internal controls over allowability and procurement requirements for state funds, we noted the following exceptions:</p> <ol style="list-style-type: none"> In five (5) of the twenty (20) disbursements selected (25%), the PRDH failed to provide the procurement file (contract, quotes, bid summary form, and other related documents) of the vouchers: 00005882, 00014345, 00016423, 00031062, and 00035893. The cost related to this condition amounted to \$263,655. In one (1) of the twenty (20) disbursements selected (5%), only one quote was available for examination related to the voucher 00028283. The cost related to this condition amounted to \$72,508. In three (3) of the twenty (20) disbursements selected (15%), we noted that the work performed by vendor was before the contract was signed (Payment Resolution Agreement). This condition was noted for the transactions with voucher number: 00007786, 00020064, and 00025046. In nineteenth (19) of the twenty (20) disbursement selected (95%), the cancelled checks were not available for examination. 	<p>Ms. Antonia de Jesús Director of the Office of Finance 787-765-2929 Ext. 3291/3292</p> <p>Mrs. Mayra Reyes Supervisor of the Accounting Office 787-765-2929 Ext. 3294</p>		<p>Some of the conditions included in finding 2012-01 Disbursements State Funds are related to information which was not provided to the auditors at the time of the test. However, the PRDH has these documents/information and were available to the auditors before the issuance of the Single Audit Report. For other conditions, the auditors examined the Procurement, Contract and Finance Files, still some conditions were identified. Refer to the comments related to this finding and CAP, below:</p> <ol style="list-style-type: none"> Disbursement vouchers amounting to \$263,655 – The PRDH has available in the Office of Purchases the procurement files. The delays in the availability of the files were related to the fact that some of these files were needed to be requested to the Office of Purchases of other locations outside the PRDH main/central offices, as the University Hospital. The files are kept in this location, since the services were related to the Hospital. Disbursement Voucher amounting to \$72,508 – Contract file available for examination. For condition related to only one quote available for examination, refer to CAP for this finding. For the fiscal year ended June 30, 2016, no payment for services will be made through Payment Resolution Agreements. The PDDH issued a communication, at the beginning of the fiscal year, to its Personnel giving the new instructions. The cancelled checks were not available at the time of the test, since these checks were needed to be requested to the Government Development Bank of Puerto Rico (GDB). Most of these checks were received from the GDB after the auditor completed this test. However, the checks that were received were sent to the auditors. <p>As part of the CAP to address these conditions, the PRDH will do the following:</p>
			<p>Implementation expected to be completed on or before the end</p>	

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
			of the Fiscal Year ended June 30, 2016.	<ol style="list-style-type: none"> For the next years Single Audits, the PRDH will improve the communication and the procedures needed to gather the information requested by the auditors in a more efficient and timely manner. Some documents may be archive in different locations within the PRDH's central office and outside locations, as Finance Office, Contracts Office, Procurement Office, Hospitals, Regional Offices, Programs Offices, etc; With the review and improvement of the filing and archive procedures, the process of gathering the documents will be done in a more efficient manner. The Office of Purchases and the Finance Office will review the actual Procurement Procedures in order to make the necessary changes/improvements to comply with the requirement of more than one quote for certain services provided to the PRDH.
ALL FEDERAL FINANCIAL ASSISTANCE PROGRAMS				
2012-02	<p>During our audit procedures for the fiscal year ended June 30, 2012, we noted the following deficiencies related to the accounting procedures and financial reporting practices of the PRDH:</p> <ul style="list-style-type: none"> The PRDH has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end reconciliation and closing procedures which prevent the timely processing of adjustments. Many transactions and adjustments are posted months after the applicable closing with a retroactive effect, due to delays in the processing of information, especially those related to payroll transactions. In this regard, a significant amount of journal vouchers are processed. We noted problems with the accounting software, PeopleSoft 8.4, used by the PRDH. The financial database provided contained two files of transactions, since the transactions that were initiated in the accounting software of the Treasury Department of the Commonwealth of Puerto Rico (PRIFAS) (payroll transactions) were not posted 	<p>Ms. Antonia de Jesús Director of the Office of Finance 787-765-2929 Ext. 3291/3292</p> <p>Mrs. Mayra Reyes Supervisor of the Accounting Office 787-765-2929 Ext. 3294</p>	<p>Implementation expected to be completed on or before the end of the fiscal year ended June 30, 2016.</p>	<p>The Finance Office provides training to its personnel on a continuous basis. Trainings are provided based on the needs identified. The Accounting Supervisor holds continuous meetings with the Finance and Program personnel were they discussed and review the Office's significant processes, reconciliation process, and closing process, among others. Also, the Finance Director sends periodic memoranda to its personnel. These memoranda includes; detailed instructions of procedures, the recording of transactions and ongoing notifications regarding significant matters to the personnel attention. Among the memoranda distributed to employee in recent years as follows:</p> <ol style="list-style-type: none"> Procedures Manual for the Reconciliation between the systems PRIFAS 7.5 y PeopleSoft 8.4 (PS 8.4) Procedures/Instructions for the Year-End Closing and Recognition of Outstanding Obligations. Office of Federal Affairs Fiscal Procedures. <p>During the year 2014, the Finance Office has made some improvements in the year-end closing procedures.</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
<ul style="list-style-type: none"> in PeopleSoft 8.4. This situation may have an effect on the PRDH's compliance with the earmarking requirements on several federal financial assistance programs. The PRDH created accounts or projects for federal grants with the CFDA number in the accounting system. In some instances, the CFDA number assigned were incomplete or incorrect. This deficiency required additional efforts of the PRDH personnel in order to review the grouping of grants when preparing and reviewing the Schedule of Federal Expenditures. This situation caused delays in the planning process and the beginning of the audit field work. The PRDH has inappropriate and/or incomplete budgeting controls between grants awards distribution and programmatic activities allocations. In various federal programs we were unable to verify its compliance with certain percentages limitations as required by applicable regulations, as further explained in Findings No. 2012-14, 2012-15, and 2012-16. The PRDH has established a policy to account the payroll transactions in the accounting system. Payroll transactions of the federal programs were registered in a central account, no matter the type of programmatic activity of the federal program. This situation may have an effect on the PRDH's compliance with the earmarking requirements on several federal financial assistance programs, as further explained in Findings No. 2012-14, 2012-15, and 2012-16. We noted during the evaluation of the period of availability test that the PRDH accounted for payroll transactions after the end of the grant period for various federal programs. Even though the PRDH has adjusted those transactions; the PRDH has failed to perform those adjustments in a timely manner. Many transactions are posted months after the applicable closing, with a retroactive effect. Also, the PRDH has not established adequate internal controls and procedures to correct this deficiency. The PRDH should improve the filing procedures, communication and coordination to permit the prompt retrieval of documents requested, as further explained in 				<p>Finance/Accounting personnel verifies the transactions that are in progress, pending and /or not approve in PS 8.4 on a periodic basis. The personnel follows up on the Program personnel for Payment Vouchers that are not approve. Program personnel should either approve or cancel the payment voucher. For Collections Vouchers that are not approved, follow up is given to the Billing and Collections Office.</p> <p>As part of the improvements related to the Finance Office Processes and as a the corrective action plan, the PRDH will perform the following:</p> <ol style="list-style-type: none"> To correct and/or improve the recording process of the payroll transactions, the PRDH will request the Puerto Rico Treasury Department (PRTD) the creation of account/accounts codes based on the Federal Grant Distribution (grant, project, programmatic activities, etc.) for payroll accounts. Accounts in PS 8.4 are created by category, project and/or programmatic activity for all other expenditures and charges non payroll related, such as suppliers and other services. Currently, the payroll transactions are being charge to a single account, not distributed by project and/or activity. Due to this fact, Federal Programs need to perform a manual reconciliation of the payroll expense, by category, project and/or programmatic activity. The reconciliation if done based on the PRTD GL 200 reports, which includes the details of the payroll charges. The reconciliation is done in order to maintain a control, tracing of funds, amounts budgeted and expended by category, project, programmatic activity and the preparation of the Federal Financial Reports (FFR). With these new set or creation of chart of accounts and account codes for payroll transactions: <ol style="list-style-type: none"> The PRDH will be able to obtain financial information directly through PS 8.4. This will eliminate the alternate manual control for preparing the reconciliation maintain by the Federal Programs. The PRDH Will reduce the payroll transaction currently classified as in "error" as part of the interphase between PRTD payroll module (PRIFAS 7.5) and PS 8.4

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<p>Findings No. 2012-04, 2012-05, 2012-06, 2012-09, 2012-10, 2012-11, 2012-25, 2012-26, 2012-27, 2012-29, 2012-30, and 2012-34.</p> <ul style="list-style-type: none"> We obtained an accounts receivable listing amounting to \$4,244,443 as of June 30, 2012. Accounts receivable arise from services provided, overpayments or merchandise returns to suppliers, improper salary payments, payments to employees without accumulated vacations or sick leave balances, and others. The accounts receivable are recorded in a subsidiary ledger when detected or identified. However, the expenditures in the related funds are reversed when amounts are actually collected. Accordingly, expenditures reported in the federal financial assistance programs include unallowable costs for those amounts uncollected at the end of each year. Also, the PRDH failed to provide an accounts receivable listing segregated by transactions related to services rendered and overpayment or improper payments made. The general ledger account information related to the overpayment or improper payment was not included in the accounts receivable listing provided. 			<p>to register the payroll expense. These transactions in "error" require an extra effort from the Finance Office personnel to reconcile and register/post them in PS 8.4.</p> <ol style="list-style-type: none"> Reduce the payroll charges by PRIFAS 7.5 to accounts that should be closed and/or with no budget, and which require additional reconciliation efforts. The Program and Finance Offices' personnel will be able to perform the year-end closing, adjustments and reconciliation procedures in a more effective and efficient manner. <ol style="list-style-type: none"> The Accounting Supervisor will prepare and send a communication to all Federal Programs to establish deadlines for the review, reconciliation and adjustments to be provided by the Program to the Accounting Office. This will ensure that the adjustments are recorded in a timely manner. The Budget Office will strengthen their procedures related to the creation of accounts or projects for federal awards and ensure the inclusion of the correct CFDA number. The Office of Finance will develop procedure to identify in a timely manner accounts receivables related to services provided, overpayments, and improper salary payments, payments to employees without accumulated vacations or sick leave balances and other. These procedures will be established together with the Offices of Human Resources and Budget. Training sessions will be held for the Finance Office and Program personnel. These training sessions will be based on significant processes, recording of transactions, reconciliation procedures, year-end closing procedures and any other subject to be addressed in order to ensure the proper recording of transaction of the PRDH. <p>Implementation of the Corrective Action Plan, will be divided in different phases and will involve different Offices within the PRDH. The PRDH will design a timetable to comply with the CAP.</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN															
ALL FEDERAL FINANCIAL ASSISTANCE PROGRAMS																			
2012-03 Single Audit Report	<p>The Single Audit Report for the fiscal year ended June 30, 2011 of the PRDH was submitted after March 31, 2012, which is the due date as established by OMB Circular A-133. The Single Audit related to such period was completed after the 9 months deadline, on May 31, 2013.</p> <p>Questioned Cost: None</p>	<p>Mr. Fernando Llavona Director of the Office of Federal Affairs 787-765-2929 Ext. 3105/3102</p> <p>Ms. Antonia de Jesús Director of the Office of Finance 787-765-2929 Ext. 3291/3292</p>	<p>Not Corrected, CAP in Progress, implementation expected to be completed by September 2015.</p>	<p>Single Audit reports for the years ended June 30, 2012 and June 30, 2013 are expected to be issued by August 31, 2015. The Data Collection Form and the Reporting Package will be submitted upon issuance of Single Audit Reports. Single Audits for the years ended June 30, 2014 and June 30, 2015 are expected to begin by the end of September 2015. The PRDOH expects to comply with the due date as established by OMB Circular A-133 of issuance and submission of the Single Audit Report, Data Collection Form and the Reporting Package for the year ended June 30, 2015. The Single Audit Report, Data Collection Form and the Reporting Package for the year ended June 30, 2014, will be issued and submitted together with the year ended June 30, 2015.</p>															
ALL FEDERAL FINANCIAL ASSISTANCE PROGRAMS																			
2012-04 Personnel Files and Payroll	<p>As part of our audit procedures, we performed a personnel files test to determine if the employee's recruitment conformed to state employment laws and regulations meeting federal merit system. For this test, we selected a random sample of 63 employees' files from which forty (40) were paid with federal funds and twenty-three (23) were paid with state funds. However, for one (1) of the 63 files selected, the employee file was not available for examination. Our examination of the 62 employees' files provided, revealed that the following documents required by the PRDH were missing:</p> <table border="1" data-bbox="557 825 638 1165"> <thead> <tr> <th>Documents Missing</th> <th>Total Files exam.</th> <th>Noted</th> <th>Exceptions</th> <th>% of Exception</th> </tr> </thead> <tbody> <tr> <td>Fidelity Pledge</td> <td>62</td> <td>1</td> <td>2%</td> <td></td> </tr> <tr> <td>Job Description</td> <td>62</td> <td>8</td> <td>13%</td> <td></td> </tr> </tbody> </table>	Documents Missing	Total Files exam.	Noted	Exceptions	% of Exception	Fidelity Pledge	62	1	2%		Job Description	62	8	13%		<p>Mr. Hermes Rivera – Director of the Resources Office 787-765-2929 Ext. 4209/4212</p> <p>Maribel Zayas - Payroll Department 787-765-2929 Ext. 4209</p> <p>Mrs. Awilda Mercado –</p>	<p>Implementation completed by September 1, 2015.</p> <p>Implementation completed by August 31, 2015.</p>	<p>As part of the Corrective Action Plan the Human Resources Department will do the following:</p> <ol style="list-style-type: none"> The Division of Appointments and Changes and Active and Inactive Files Archive Area will review the procedures and controls that are used to register in which area the personnel file is located. This control will serve as guide to help locate the requested records, so that in future audits record is delivered in an efficient manner. The Division the Appointments and Changes will review and update the registry/checklist of documents required for personnel appointments in accordance with the Laws, Rules, Federal and State Regulations that govern the Human Resources. This checklist will ensure that all the
Documents Missing	Total Files exam.	Noted	Exceptions	% of Exception															
Fidelity Pledge	62	1	2%																
Job Description	62	8	13%																

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
Resume Cert. of Academic Preparation Birth Certificate Personnel History Assume Form (ASM-5) CRIM Certification Income Tax Debt Certification Income Tax Return Filing Certification Employment Eligibility Verification (Form I-9) Copy of ID Health Certificate form Income Tax Withholding form Criminal Record Certificate Copy of Social Security card Informative Manual Work Area free of Drugs (Law # 101-226)	62 5 8% 62 10 16% 62 4 6% 62 2 3% 62 24 39% 62 2 3% 62 2 3% 62 2 3% 62 2 3% 62 5 8% 62 2 3% 62 14 23% 62 11 18% 62 3 5% 62 1 2% 62 8 13%	Personnel and Human Resources Department 787-765-2929 Ext. 4234	Implementation completed by August 27 to 31, 2015. Implementation completed by September 2, 2015. Implementation completed by September 2, 2015.	3. required documentation is provided by the employee as part of the process and included in the personnel file. Design a Manual of Procedures for the Appointment of Personnel. The design and implementation of the Manual of Procedure for the Appointment will help employees of the Division to perform the same set of activities in a uniform format which are directed to comply with policies and practices related to the Appointments of Personnel. 4. The Division of Appointments and Changes will provide guidance to new employees of the direct deposit payment system. Also, will provide the direct deposit form, which should be completed and provided to the PRDH. For actual employees, a communication will be sent to update the direct deposit information. Updated information will be included in the employee file. This action will ensure that the new employees are properly oriented of the method of payments and the PRDH will comply with the employees' required documentation. 5. Training Session will be provided to the Division's personnel including the implementation of the new procedures.
	Documents Total Missing files exam. Noted			
Drug free test Receipt of Governmental Ethic Law Receipt of Sexual Harassment Law	62 5 8% 62 3 5% 62 20 32%			
Above conditions are indicative that established procedures are not being followed and consequently, documents required for				

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<p>recruiting purposes have not been always obtained or properly filed.</p> <p>The PRDH's payroll is processed thru the Payroll and Human Resources System (RHUM). The PRDH enter the employee information and compensation when the employee is hired and modify the employee information in accordance of changes in the compensation or deductions required. The PRDH's Finance Division obtains a payroll register from the PRTD to record payroll and payroll related expenditures in its accounting records.</p> <p>After our tests of controls, we noted the following internal control deficiencies:</p> <p>a) In 1 of the 63 cases (1.6%), we noted that the employee id number in RHUM did not agree with the id number in the employee file.</p> <p>b) During the payroll test, we noted that 61 of the 63 employees selected for testing were paid through direct deposit. However, in 3 of the 61 cases (5%), no evidence was provided of the request and authorization of the employee to participate in the direct deposit system.</p> <p>c) In 63 of the 63 timesheets (100%) provided for examination, the attendance sheet were not available for examination.</p> <p>Questioned Costs: Could not be determined.</p> <p>SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES SPECIAL EDUCATION-GRANTS FOR INFANTS AND FAMILIES - ARRA PUBLIC HEALTH EMERGENCY PREPAREDNESS IMMUNIZATION COOPERATIVE AGREEMENTS IMMUNIZATION COOPERATIVE AGREEMENTS - ARRA CHILDREN'S HEALTH INSURANCE PROGRAM MEDICAL ASSISTANCE PROGRAM MEDICAL ASSISTANCE PROGRAM - ARRA NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM HIV CARE FORMULA GRANTS MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</p>			

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
<p>2012-05 Disbursement Test -Federal Allowable costs / cost principles Procurement, Suspension and Debarment</p>	<p>In testing compliance and internal controls over cost allowability and procurement and suspension and debarment requirements, we selected 165 disbursements from the programs listed above (excluding those related to payroll and fringe benefits expenditures, and assistance payments) that totaled \$51,815,434.</p> <p>Also, we selected a sample of payments made to the Puerto Rico Health Care Administration in order to ascertain the adequacy of the supporting documents for those transactions, and the recording and coding in the accounting system.</p> <p>The legend of exceptions and instances of noncompliance noted as follows:</p> <p>A. No procurements supporting documents were available for examination. - 1</p> <p>B. Only one quote was available for examinations. - 5</p> <p>C. Disbursement allocated to an incorrect cost objective. - 58</p> <p>D. Expenditure transaction not properly supported. - 3</p> <p>E. Work performed before the contract was signed (Payment Resolution Agreement). - 2</p> <p>F. Cost-benefit assessment of the necessity and reasonability of the transaction for the performance and administration of the program were not available for examination. - 2</p> <p>G. Vendor exclusivity letter was not observed in the procurement file. Letter was subsequently provided - 2</p> <p>H. No evidence found of verification of contracted vendors in the Excluded Party List (EPLS). - 61</p>	<p>Ms. Antonia de Jesús Director of the Office of Finance 787-765-2929 Ext. 3291/3292</p> <p>Mrs. Mayra Reyes Supervisor of the Accounting Office 787-765-2929 Ext. 3294</p> <p>Directors of Federal Programs: CFDA 10.557, CFDA 84.181, CFDA 84.393, CFDA 93.889, CFDA 93.994</p> <p>Tel. 787-765-2929</p>		<p>Some of the conditions included in finding 2012-05 Disbursement Federal Funds are related to information which was not provided to the auditors at the time of the test. However, the PRDH has these documents/information and were available to the auditors before the issuance of the Single Audit Report. For other conditions, the auditors examined the Procurement, Contract and Finance Files, still some conditions were identified. Refer to the comments related to this finding and CAP, below:</p> <p>1. Disbursement vouchers amounting for number CFDA 10.557 (WIC)- \$1,092,170:</p> <p>a. Voucher# 00008983 for \$97,110, exception B - The Program has available: voucher, contract, invoices and related supporting documents. Refer to CAP for Voucher# 00022143 for \$793,638 exception B - The payment was made through a Debt Resolution Agreement. The Program has available the voucher, Debt Resolution Document and other supporting documents related to the payment.</p> <p>c. Voucher# 00022617 for \$119,775 exception B & F - The Program has available the: voucher, Contract Amendment (original contract # 2011-DS-0729 is included as part of the documentation of voucher # 00028522), invoices and related supporting documents. Also, the program has available the cost benefit assessment.</p> <p>d. Voucher# 00028522for \$35,947 exception B & F - The Program has available the: voucher, contract, invoices and related supporting documents. Also, the program has available the cost benefit assessment.</p> <p>e. Voucher# 00028522for \$45,655 exception B - The Program has available the: voucher, contract, invoices and related supporting documents.</p>
	<p>Total Questioned Costs CFDA 10.557 - \$1,092,170</p>			

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<p>Total Questioned Costs CFDA 84.181 & CFDA 84.393 - \$238,213 Total Questioned Costs CFDA 93.889 - \$82,730 Total Questioned Costs CFDA 93.994 - \$80,000 Total Questioned Costs - \$1,493,113</p> <p>Also, during the disbursement test, we noted that 37 of the 165 transactions selected for testing were related to journal entry adjustments. Of the remaining 128 disbursements we requested the cancelled checks. However, in 110 of the 128 transactions (86%), the cancelled checks were not available for examination.</p> <p>The PRDH identified additional information related to the condition of this finding. However, such information became available to us near the date of this report and was not available for examination at the time of performing this test.</p>			<p>2. Disbursement voucher 000059521 amounting for \$238,213 exception D, CFDA numbers 84.181 & CFDA 84.393 - Voucher related to indirect cost adjustment. The Finance Department has available: adjustment voucher, receipt voucher and credit advice.</p> <p>3. Disbursement voucher 000062210 amounting for \$82,730 exception D, CFDA number 93.889 - Voucher related to indirect cost adjustment. The Finance Department provided the: adjustment voucher, FFRs, Grant/Program expenditures reconciliation, letters/correspondence. Cost calculation schedule included (\$88,528.80) does not tie - in with the \$82,730, since the Program requested less amount/funds.</p> <p>4. Disbursement voucher 0000059012 amounting for \$80,000 exception D, CFDA number 93.994 - Journal entry voucher available for examination at the Accounting Office. Services related to OIAT (PRDH Information Systems Office).</p> <p>As part of the CAP to address these conditions, the PRDH will do the following:</p> <ol style="list-style-type: none"> 1. For the next years Single Audits, the PRDH will improve the communication and the procedures needed to gather the information requested by the auditors in a more efficient and timely manner. Some documents may be archive in different locations within the PRDH's central office and outside locations, as Finance Office, Contracts Office, Procurement Office, Hospitals, Regional Offices, Programs Offices, etc; With the review and improvement of the filing and archive procedures, the process of gathering the documents will be done in a more efficient manner. 2. The Office of Purchases and the Finance Office will review the actual Procurement Procedures in order to make the necessary changes/improvements to comply with the requirement of more than one quote for certain services provided to the PRDH.

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
<p>CFDA 10.557 CFDA 93.069 CFDA 93.778 CFDA 93.889</p>	<p>SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN PUBLIC HEALTH EMERGENCY PREPAREDNESS MEDICAL ASSISTANCE PROGRAM NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM</p>			<p>3. The Finance Office and the Finance Office of the Federal Programs will evaluate their current processes related to the review and authorization of transactions; as well as, the documents that must be included in the file as supporting documentation for any transaction.</p> <p>4. The PRDH will establish procedures for the verification of vendors as part of the requirements related to the Excluded Party List System. The procedures will include that proper supporting documentation should be included in a file, to ensure that the procedures were performed and documented.</p> <p>5. Training sessions will be given to the personnel as part of the implementation of procedures.</p>
<p>2012-13 Property and Equipment</p>	<p>Federal programs To determine compliance with Equipment and Real Property Management requirements, we obtained an understanding of PRDH's policies and procedures. Then, we performed tests of controls to determine if: a) PRDH's policies and procedures have been complied with; b) established controls are effective; and c) to assess control risk. We made a selection of 14 transactions representing 62% (\$1,636,305) of the total vouchers related to the acquisition of property and equipment (\$2,654,957) for the programs included above. After performing those procedures, we noted the following:</p> <p>1. In five (5) of the 14 items examined (36%), the property records did not include the custodian information in the property module of the accounting system. However, information was provided of the manual process implemented for such purpose.</p> <p>2. In twelve (12) of the 14 items examined (86%), the property serial number was not included in the property records;</p>	<p>Mrs. Marie C. Molina – Director of General Services 787-765-2929 Ext. 3626</p> <p>Mrs. Johana Pagan Director of Property 787-765-2929 Ext. 3638</p>		<p>The PRDOH uses the Property Module of the PeopleSoft v.8.4 system (PS 8.4) to register the additions of property and equipment, the process initiates upon request by each program/office through the e-Procurement Module, then throughout the system to the Purchases Office until payment of the asset is effective. The module also has managing functionalities and capacities such as: warranties, repairs and maintenance, custody, locations, additions, retirements & transfers.</p> <p>The PRDOH has segregated the inventory of property and equipment by Asset Management Business Units. Each Asset Business Unit has a designated Personnel, which is in charge of managing the property and equipment and the physical inventory.</p> <p>The PRDH has been working towards the improvement of the property management processes during the recent years. During the year 2013, several training sessions were provided to the</p>

PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	<p>instead a dummy number was included in the property module at the moment of our request for examination.</p> <p>3. In nine (9) of the 14 items examined (64%), the property records did not include the custodian information in the property module of the accounting system. Also, property use receipts, which is an alternate procedure implemented by the PRDH, were not provided for examination.</p> <p><u>Internal control:</u> After obtaining an understanding of the state's policies and procedures and performing our tests of controls, we noted the following internal control deficiencies:</p> <p>a. The Property Division of the PRDH does not maintain an effective property and equipment system from which a current and complete subsidiary ledger can be prepared; and;</p> <p>b. A physical inventory was not taken, at least on a bi-annual basis, as required by applicable regulations.</p> <p>Questioned Costs: Undetermined</p>	<p>Ms. Antonia de Jesus Director of the Finance Office 787-765-2929 Ext. 3291</p> <p>Mrs. Mayra Reyes Supervisor of the Accounting Office 787-765-2929 Ext. 3294</p> <p>Mrs. Miriam Perez Accountant 787-765-2929 Ext. 3302</p>	<p>Implementation of the CAP expected to be completed on or before the fiscal year ended June 30, 2016.</p>	<p>property personnel. These trainings included the functionality of the Property module as well as procedures to improve the property and equipment management. Also, certain modifications have been made to the property module, including an automatic unique number assigned to property purchased and registered in the system. A revised Manual of Property and Equipment Management and Procedures was prepared and issued on June 30, 2015.</p> <p>As part of the year-end closing and as a required by of the Puerto Rico Treasury Department (PRTD), the PRDOH prepares a report which includes all the additions and retirements for the year (Additions and Retirements Reports PRTD) of property by Asset Management Business Unit. The afford mentioned reports are verified and reconciled by the Property Office and the Finance Office personnel, in order to ensure that the items are included on the physical inventory reports, as well as in PS 8.4. Any differences found are investigate and adjusted in PS 8.4, as considered necessary.</p> <p>As part of the improvements related to the Property Management Processes and as a the corrective action plan, the PRDH will perform the following:</p> <ol style="list-style-type: none"> 1. Property beginning balances will be register in PeopleSoft 8.4. As part of the conversion to PS 8.4, certain balances were not registered. 2. Perform physical inventory per Asset Management Business Unit. A calendar for the physical inventory activity will be prepared. 3. Reconcile the Physical Inventory Reports with the Property and Equipment Subsidiary. Any differences will be adjusted in the GL. 4. Reconcile the Property and Equipment Subsidiary with the General Ledger. 5. Training sessions will be provided to Property and Finance Personnel. The training sessions will be based on the revised Manual of Property and Equipment Management

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
CFDA 93.917 CFDA 93.069 CFDA 93.994 CFDA 93.889	<p>HIV CARE FORMULA GRANTS PUBLIC HEALTH EMERGENCY PREPAREDNESS MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM</p>	Mr. Fernando Llavona – Director Office of Federal Affairs Tel. 787-765-2929 Ext. 3102	Implementation of the CAP expected to be completed on or before the fiscal year ended June 30, 2016.	and Procedures and Physical Inventory Calendar, among others.
2012-31 Federal Funding Accountability and Transparency (FATA)	<p>We performed procedures to obtain an understanding of the internal control and procedures established by the PRDH to comply with the reporting requirement under the Federal Funding Accountability and Transparency Act. After performing this procedures we noted that the PRDH, for the fiscal year ended June 30, 2012, have not establish policies and procedures in order to gather the required sub award information required by the Act and to comply with the reporting submission of sub award of funds through the Federal Funding Accountability and Transparency Act Sub award Reporting System (FSRS).</p>	Mrs. Sonia Carrasquillo – Director Office of Contracts Tel. 787-765-2929 Ext. 4467		<p>The Office of Federal Affairs and the Contracts' Office have been working towards the design and implementation of procedures to comply with the reporting requirements under FATA, which includes:</p> <ol style="list-style-type: none"> 1. The Contract Office has established norms and procedures to identify any Sub grantee/award, which exceeds the require amount. These Norms and procedures will be implemented in the upcoming years. 2. Upon identification, the Contracts Office will gather the required information regarding the Sub grantee/award. The PRDH will not finalized/formalized any contract with a Sub grantee until all the information is gather. This will be accomplish through a checklist of documents and/or information that is requested to Sub grantee/contractors. 3. The Contract Office will prepared a calendar and established deadlines to submit the required information/reports to comply with the FATA requirements.

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN																
BY PROGRAM																				
<p>CFDA 93.767 – CHILDREN’S HEALTH INSURANCE PROGRAM (CHIP) CFDA 93.778 MEDICAL ASSISTANCE PROGRAM (MEDICAID)</p>																				
<p>2012-28 Financial Reporting CHIP & Medicaid</p>	<p>We performed procedures to identify the reporting requirements applicable to the PRDH, obtained an understanding of the internal control, and determined the criteria and methodology used in compiling and reporting the data to be included in the applicable reports. We requested copies of the Federal Financial Report (FFR-425), Quarterly Statement of Expenditures for the Medical Assistance Program (CMS-64), and Quarterly Children’s Health Insurance Program Statement of Expenditures for Title XXI (CMS-21) that were due during the fiscal year ended June 30, 2012. After review of the quarterly reports selected we noted the following:</p> <p>i. The CMS-64 and CMS-21 quarterly reports submitted after the due date were as follow:</p> <table border="1" data-bbox="941 1218 1201 1659"> <thead> <tr> <th>Quarter end date</th> <th>Quarterly Report due date</th> <th>Date submitted</th> <th>Days elapsed after due date</th> </tr> </thead> <tbody> <tr> <td>9/30/2011</td> <td>10/30/2011</td> <td>4/2/012</td> <td>153 days</td> </tr> <tr> <td>12/30/2011</td> <td>1/30/2012</td> <td>6/5/2012</td> <td>126 days</td> </tr> <tr> <td>3/30/2012</td> <td>4/30/2012</td> <td>8/7/2012</td> <td>133 days</td> </tr> </tbody> </table> <p>ii. The FFR-425 quarterly reports submitted after the due date were as follow:</p>	Quarter end date	Quarterly Report due date	Date submitted	Days elapsed after due date	9/30/2011	10/30/2011	4/2/012	153 days	12/30/2011	1/30/2012	6/5/2012	126 days	3/30/2012	4/30/2012	8/7/2012	133 days	<p>Mr. Ricardo Colon Padilla – Program Director 787-765-2929 Ext. 6731</p> <p>Mr. Jose Nieves – Program Manager 787-765-2929 Ext. 6731</p>	<p>Implemented since August 2014</p>	<p>We have implemented a control sheet for the reports to be submitted by the date they are due. This control sheet was established since August 2014. This control sheet includes the report name, the date due and date submitted. When the report cannot meet the required deadline an extension of time is requested to the federal agency. Once the approval of the time extension is received, the reports are submitted. Appropriate documentation is maintain to support any report submitted after the required deadline as: preliminary and final reports, request and approval of time extensions.</p>
Quarter end date	Quarterly Report due date	Date submitted	Days elapsed after due date																	
9/30/2011	10/30/2011	4/2/012	153 days																	
12/30/2011	1/30/2012	6/5/2012	126 days																	
3/30/2012	4/30/2012	8/7/2012	133 days																	

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION				RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	Quarter end date	Quarterly Report due date	Date submitted	Days elapsed after due date			
<p>2012-21 Period of Availability Medicaid</p> <p>The deficiency noted was the result of the absence of adequate internal control procedures for the tracking and reviewing of the program reports in accordance with program requirements.</p> <p>Questioned Costs: None</p> <p>To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012. Among other test, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in 216 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$1,779,349. Also, we noted that in 262 transactions the obligation and payment were made after the required allowed period. Such obligations amounted to \$1,069,833.</p> <p>Questioned Cost \$2,849,182</p>	12/30/2011	3/30/2012	3/1/2012	2 days			
	3/30/2012	4/30/2012	5/3/2012	3 days			
					Mr. Ricardo Colon Padilla – Program Director 787-765-2929 Ext. 6731		<p>The auditors state that although the obligations were incurred within the period of availability, the payments and the obligations were made after the required allowed period. The criteria makes reference to 45 CFR section 92.23 (a), which establishes that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.</p> <p>The criteria also makes reference to 45 CFR section 92.23 (b), Liquidation of obligations, which establishes that "a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF- 269)".</p> <p>Notwithstanding, section 4 of OMB CIRCULAR NO. A-102, Required Action, establishes that "Consistent with their legal obligations, all Federal agencies administering programs that</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
				<p>involve grants and cooperative agreements with State, local and Indian tribal governments (grantees) shall follow the policies in this Circular. If the enabling legislation for a specific grant program prescribes policies or requirements that differ from those in this Circular, the provisions of the enabling legislation shall govern."</p> <p>In that regard, as noted in the Source of Governing Requirements section included in the OMB A-133 Compliance Supplement of June 2012 and March 2013 for the Medicaid Cluster (page 4-93.778-11), the Medical Assistance Program is also subject to the requirements of 45 CFR part 95.</p> <p>The enabling legislation for the Medical Assistance Program is specifically established in 45 CFR 95.7, Time limit for claiming payment for expenditures made after September 30, 1979, which states that "Under the programs listed in §95.1, we will pay a State for a State agency expenditure made after September 30, 1979, only if the State files a claim with us for that expenditure within 2 years after the calendar quarter in which the State agency made the expenditure".</p> <p>In that regard, please notice that all reimbursement claims are made on a cash basis and the detail of transactions are submitted to CMS for written approval before any drawdown is made. Once CMS review the claim approves in writing (Via Email) the drawdown. Additionally, please notice that CMS grants are made quarterly and customarily allows for carryover of balances.</p> <p>Based on all of the above, we respectfully disagree with the finding as the criteria cited does not apply to the Medical Assistance Program; since the specific enabling legislation for this program prescribes policies or requirements that supersede the Period of Availability requirements established in the criteria cited in the finding (45 CFR 92).</p>

PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
2012-07 Request of Funds Medicaid	<p>During the fiscal year ended June 30, 2012, the Medical Assistance Program was covered by the Treasury-State Agreement under the Actual Clearance, ZBA – ACH. For the sample of 17 disbursement selected (excluding payments of Health Insurance Premiums), we requested the fund request and related supporting documents. However, the PRDH was unable to provide us the fund request documents for those transactions selected. This was due, because the PRDH failed to establish adequate internal controls that allow an audit trace between the request of funds and the program disbursement transactions. Therefore, we were unable to determine compliance with the cash management requirement for this program and the State Treasury Agreement effective during the fiscal year ended June 30, 2012.</p> <p>Questioned Cost: Could not be determined.</p>	<p>Mr. Ricardo Colon Padilla – Program Director 787-765-2929 Ext. 6731</p> <p>Mr. Jose Nieves – Program Manager 787-765-2929 Ext. 6731</p>		<p>The PRDH obtained all the documentation and is available for examination. Of the sample of 17 items selected by the auditors, 12 of the items were not applicable, as follows:</p> <ol style="list-style-type: none"> Three of the items were not applicable as; For six of the items no reimbursement was requested for these payments since the XIX-ADM12 Award reached its cap of \$22,600,000; and; For three of the items no reimbursement was requested for these payments. The remaining five payments were made prior to the reimbursements. The days elapsed between the actual payment and the receipts of the reimbursement ranged from 29 to 109 days. Accordingly, the PRDH complied with the cash management requirements. <p>Notwithstanding, on July 2012, the PRDH implemented new procedures to provide reasonable assurance that the reimbursements are requested only after costs have been paid. As a result, a detailed lists of transactions is attached to each request for reimbursement and sent to CMS for approval. Only after receiving such approval, the funds are drawn from the PMS system.</p>
2012-10 Eligibility of Participants CHIP	<p>Total participants of the Children's Health Insurance Program during the fiscal year ended June 30, 2012, were 146,407. The amount expended under this federal program during such fiscal year was \$175,140,459. In testing the eligibility requirement under this program, we selected sixty (60) participants' files for testing. While reviewing the participants' files, we noted the following:</p> <ol style="list-style-type: none"> In four (4) of the participants' files tested (7%) was not available for examination. In three (3) of the participants' files tested (5%) the application form (MA-1) was not signed by the head of household. In four (4) of the participants' files tested (7%) did not included copy of the head of household identification. 	<p>Ricardo Colon Padilla – Program Director 787-765-2929 Ext. 6731</p> <p>Jose Nieves – Program Manager 787-765-2929 Ext. 6731</p>	<p>Ongoing process, implementation started on July 2014. First year review and any required training or procedure review will be scheduled for</p>	<p>Corrective Action Plan:</p> <ol style="list-style-type: none"> The CHIP Program has a Quality Unit with the only function of reviewing records of past interviews conducted and reporting any findings in terms of errors and lack of compliance with the established policies and procedures. Although the Unit has been operating for many years, starting on July 2014, the following two major changes were made to the operating procedures: <ol style="list-style-type: none"> The list of findings and errors was revised in order to group similar findings by topic and put an emphasis on errors that lead to an erroneous eligibility determination.

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<p>4. In four (4) of the participants' files tested (7%) did not include copy of the social security card.</p> <p>5. In four (4) of the participants' files tested (7%) did not include evidence of citizenship.</p> <p>6. In three (3) of the participants' files tested (5%) did not include evidence of income verification.</p> <p>7. In two (2) of the participants' files tested (3%) did not include evidence of residency verification.</p> <p>8. In five (5) of the participants' files tested (8%) did not include evidence of the participant re-certification.</p> <p>Missing documentation in the participants' files to support their eligibility reflects deficiencies in the certification process because participants are being certified without submitting the required documentation or the documentation has been misplaced.</p> <p>Questioned Cost \$15,551</p>		<p>the last quarter of the year.</p>	<p>ii. Work was scheduled by quarter and a sample size of 400 records was established because it is statistically representative of our universe of approximately 250,000 eligibility interviews per quarter.</p> <p>c. The first quarter evaluated was the July-September period, which was evaluated during the months of October through December and a Report was issued on January 2015. Similarly, on April 2015 another report was issued with findings of the interviews conducted during the last quarter of 2014 (October-November). During the current month of July, the third report is going to be issued, which covers the first quarter of 2015. With these three reports available, we will be able to analyze common errors and trends in order to determine areas where procedures need to be reviewed and trainings developed to enhanced knowledge and skills required to conduct the eligibility interviews.</p> <p>d. The analysis of the first three quarters analyzed will be completed by September 2015 and any required training or procedure review will be scheduled for the last quarter of the year.</p>
<p>2012-11 Eligibility of Participants Medicaid</p>	<p>Total participants of the Medical Assistance Program (Medicaid; Title XIX) during the fiscal year ended June 30, 2012, were 1,378,504. The amount expended, excluding administrative costs, under this federal program during such fiscal year was \$861,102,270. In testing the eligibility requirement under this program, we selected sixty (60) participants' files for testing. While reviewing the participants' files, we noted the following:</p> <p>1. In two (2) of the participants' files tested (3%) was not available for examination.</p>	<p>Ricardo Colon Padilla – Program Director 787-765-2929 Ext. 6731</p>	<p>Ongoing process, implementation started on July 2014. First year review and any required training or procedure review will be</p>	<p>This is an ongoing process that will continue each quarter and that is expected to reduce the number of errors and findings in each evaluation.</p> <p>Corrective Action Plan:</p> <p>a. The CHIP Program has a Quality Unit with the only function of reviewing records of past interviews conducted and reporting any findings in terms of errors and lack of compliance with the established policies and procedures.</p> <p>b. Although the Unit has been operating for many years, starting on July 2014, the following two major changes were made to the operating procedures:</p>

PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	<p>2. In one (1) of the participants' files tested (2%) the application form (MA-1) was not signed by the participant or head of household.</p> <p>3. In seven (7) of the participants' files tested (12%) did not included copy of participant identity.</p> <p>4. In two (2) of the participants' files tested (3%) did not included copy of the social security card.</p> <p>5. In eleven (11) of the participants' files tested (18%) did not included evidence of the participant citizenship.</p> <p>6. In three (3) of the participants' files tested (5%) did not included evidence of the participant re-certification.</p> <p>Missing documentation in the participants' files to support their eligibility reflects deficiencies in the certification process because participants are being certified without submitting the required documentation or the documentation has been misplaced.</p> <p>Questioned Cost: \$10,619</p>	<p>Jose Nieves – Program Manager 787-765-2929 Ext. 6731</p>	<p>scheduled for the last quarter of the year.</p>	<p>i. The list of findings and errors was revised in order to group similar findings by topic and put an emphasis on errors that lead to an erroneous eligibility determination.</p> <p>ii. Work was scheduled by quarter and a sample size of 400 records was established because it is statistically representative of our universe of approximately 250,000 eligibility interviews per quarter.</p> <p>c. The first quarter evaluated was the July-September period, which was evaluated during the months of October through December and a Report was issued on January 2015. Similarly, on April 2015 another report was issued with findings of the interviews conducted during the last quarter of 2014 (October-November). During the current month of July, the third report is going to be issued, which covers the first quarter of 2015. With these three reports available, we will be able to analyze common errors and trends in order to determine areas where procedures need to be reviewed and trainings developed to enhanced knowledge and skills required to conduct the eligibility interviews.</p> <p>d. The analysis of the first three quarters analyzed will be completed by September 2015 and any required training or procedure review will be scheduled for the last quarter of the year.</p> <p>This is an ongoing process that will continue each quarter and that is expected to reduce the number of errors and findings in each evaluation.</p>
<p>2012-36 ADP Risk Analysis and System Security Review Medicaid</p>	<p>To test compliance with the requirement with the Special Test and Provision requirement of the ADP Risk Analysis and System Security Review we requested the most recent review performed by the PRDH during the current or past two years. However, no evidence was provided to ascertain that the PRDH have performed such review and in the required timeframe (biennial basis).</p>	<p>Mr. Ricardo Colon Padilla – Program Director 787-765-2929 Ext. 6731</p>	<p>Implementation expected to be completed by the end of the Fiscal Year 2016.</p>	<p>The Medicaid Program is currently conducting a HIPAA Security Risk Assessment as per the requirement of the HIPAA regulation. The analysis is being conducted in coordination with the PRDH Information Technology office lead by Mr. Richard Santiago. The assessment will be completed by September 30, 2015.</p> <p>The Medicaid Program will procure services to conduct a System Security Review for the Medicaid systems and applications.</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
		<p>Mr. Jose Nieves – Program Manager 787-765-2929 Ext. 6731</p> <p>Mr. Richard Santiago CIAT Director 787-765-2929 Ext.2101/2149</p>		
CFDA 93.268 IMMUNIZATION COOPERATIVE AGREEMENTS				
<p>2012-14 Earmarking</p>	<p>Condition found</p> <p>After obtaining an understanding of the Matching, Level of Effort, Earmarking requirement of the program Immunization Cooperative Agreements and reviewing the special conditions included with the notice of award, we noted that the funds awarded for 317, VFC Operations, VFC/AFIX, VFC Ordering, VFC Distribution, and Pandemic Influenza must be accounted for by funding source to ensure that these funds are only used for these categorical allowable activities. During the performance of the earmarking tests for the year ended June 30, 2012, we noted that the deficiencies for the grant awards 5H23IP222501-09 and 5H23IP222501-10 detail as follows:</p> <p>a) The program accounts in the accounting system were not adequately expanded to record the payroll transactions based on the corresponding program categorical allowable activities. Amounts expended related to payroll and benefits were registered in a central account even though the type of activity related to it (317, VFC Operations, VFC/AFIX, VFC Ordering, VFC Distribution, and Pandemic Influenza).</p>	<p>Dr. Angel Rivera- Program Director 787-765-2929 Ext. 3287</p> <p>Mrs. Camille Francisco – Program Accountant 787-765-2929 Ext. 3287</p> <p>Ms. Antonia de Jesus Director of the Finance Office 787-765-2929 Ext. 3291</p> <p>Mrs. Mayra Reyes</p>		<p>Deficiency a - Response: At this moment, the functional capabilities of the accounting system used in the Puerto Rico Department of Health do not allow us to record the payroll transactions based on the corresponding categorical allowable activities. Instead, the payroll transactions are recorded in a central account.</p> <p>Meanwhile, a payroll record is being maintained on an Excel spreadsheet developed for this purpose by the program's accountant.</p> <p>Refer to for finding 2012-02 Accounting Records for CAP and status related to the Accounting System PeopleSoft 8.4.</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	<p>b) Amounts claimed and/or expended for VFC Operations, VFC/AFIX, VFC Ordering, VFC Distribution, and Pandemic Influenza were accounted in the H11P2225000VFC and H12IP2225000VFC for the grants SH23IP222501-09, and SH23IP222501-10, respectively. Therefore, the chart of account in the financial system is not sufficiently expanded to account the grants transactions per categorical allowable activities.</p> <p>A control is maintained in spreadsheets designed by the program personnel. However, such internal controls depend on the efforts made by the Fiscal personnel of the program to reconcile and update such records in a timely manner.</p> <p>Based on the above, we were unable to determine compliance with the earmarking requirement for this program.</p> <p>Questioned Cost \$0.00</p>	<p>Supervisor of the Accounting Office 787-765-2929 Ext. 3294</p>	<p>Corrected/ Implemented since January 2013</p>	<p>Deficiency b - Response: Since January 2013, the funds awarded for 317, VFC Operations, VFC Ordering, VFC Distribution, AFIX and Pandemic Influenza has been accounted in the system by funding source in accordance with categorical allowable activities of the grants.</p> <p>These expenditures are monitor and revise on a periodic basis by the program's accountant, who, since March 2013, must prepare an annual Funding Source Report, required by the CDC Project Officer. Also, a reconciliation of expenditures must be discussed with the accounting supervisor of the PRDH Finance Office, prior to submit a Federal Financial Report.</p> <p>Since this implementation, the Program has concentrated its efforts to ensure that all the funds and expenditures are properly accounted for and reported in accordance with the financial reporting requirements of the grant.</p>
<p>2012-20 Period of Availability</p>	<p>To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012. Among other test, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in thirty-four (34) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$276,031.</p> <p>Questioned Cost \$276,031</p>	<p>Dr. Angel Rivera- Program Director 787-765-2929 Ext. 3287</p> <p>Mrs. Camille Francisco -- Program Accountant 787-765-2929 Ext. 3287</p>	<p>Corrected / Implemented, since January 2013</p>	<p>We concur with this finding for the audited period ended 6/30/2012. However, since January 2013, the program's accountant and the accounts payable clerk have reinforced the communication of pending deadlines to obligations and expenditures. Since then, we have been liquidating obligations within the period of availability.</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
2012-27 -1512 ARRA Reporting	<p>We performed procedures to identify the reporting requirements applicable to the Immunization and Vaccines for Children Grants Recovery Act project, obtained an understanding of the internal control, and determined the criteria and methodology used in compiling and reporting the data included in the applicable reports. After identifying the applicable reports, we requested copies of the Section 1512 ARRA reports submitted for the grant 3H23IP222501-0751 for the quarters ended June 30, 2011, September 30, 2011 and December 31, 2011. However, those reports were not available for examination. Therefore, we were unable to trace and review the supporting records, and ascertain if all applicable data elements were included in the reports. As indicated by PRDH management, before the year 2014 they dispose various files which contain federal program fiscal reports due to health safety issues in the storage. There were no records of the reports maintained in the storage, and no detail was included with the disposition records as result of that.</p>	<p>Mr. Fernando Llavona – Office of Federal Affairs Director 787-765-2929 Ext. 3105</p> <p>Dr. Angel Rivera- Program Director 787-765-2929 Ext. 3287</p> <p>Mrs. Camille Francisco – Program Accountant 787-765-2929 Ext. 3287</p>	<p>Corrected/ Implemented for the year fiscal ended 6/30/2016 and thereafter.</p>	<p>The Federal Affairs Office used to submit and file those reports, but before the year 2014, they disposed various files which contain federal program fiscal reports due to health safety issues in the storage. Since those files could not be opened, there are no records of the reports maintained in the storage and no detail was included with the disposition records. The reports were submitted to the federal government on a timely manner.</p> <p>Unfortunately, we have no supporting records of those reports. We recognize that maintaining appropriate documentation is a requirement that must be corrected. For that reason, starting this 2016 fiscal year, we will be improving our recordkeeping procedures and scanning all fiscal reports submitted to the Federal Government in order to have digital records in case of any loss of paper-based records.</p>
CFDA 93-994 MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES 2012-16 Matching, Level of Effort, Earmarking	<p>During the performance of the earmarking tests of the Maternal and Child Health Services Block Grant to the States program for the year ended June 30, 2012, we noted that the chart of accounts in the financial system is not sufficiently expanded to account for the grant awards 101804MC1701, 11804MC21384, and 12804MC23406 for the following activities:</p> <ul style="list-style-type: none"> a) Amounts claimed for administrative expenditures; and b) Amounts expended on each of the following activities: preventive and primary care services for pregnant women, mothers, and infants up to age one, preventive and primary care services for children, and services for children with special health care needs as required by program regulations. c) An account was created to record the expenditures related to the activities of the services for children with special health care needs, however, the budget amount was below the minimum amount required by program regulations. 	<p>Dr. Manuel Vargas Bernal Program Director 787-765-2929 Ext. 4584</p> <p>Dr. Miguel Valencia Program Director 787-765-2929 Ext. 4587</p> <p>Ruth Lopez – Accountant 787-765-2929</p>		<p>Program Budgets the funds according to the 30-30-10 requirement and each component manages and report in the proposal individually. As of today, the funds are accounted as recommended by the Federal Affairs Office in 3 accounts. To comply with the federal regulation we recommend evaluating if the Agency (PRDOH) authorizes to create and separate the accounts to ensure fiscal controls and accounting procedures. As the accounts are created the Human Resources Office should update the personnel lists with the information of the Program.</p> <p>Refer to for finding 2012-02 Accounting Records for CAP and status related to the accounting system PeopleSoft 8.4.</p> <p>As an internal control measure and in order to comply with the grant requirements, the program records all the expenditures accordingly to the services provided and population served. For this purpose we use the information of the PRDOH accounting.</p>

PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	<p>A control is maintained in spreadsheets designed by the program personnel. However, such internal controls depend on the efforts made by the Fiscal personnel of the program to reconcile and update such records in a timely manner.</p> <p>Based on the above, we concluded that the fiscal controls and accounting procedures of the PRDH are not sufficient and adequate to permit the tracing of funds to a level of expenditures in the financial records and to establish that funds segregations have been made in accordance with programs requirements and regulations.</p> <p>Questioned Cost: None</p>	<p>Ext. 4584 Magaly Cabrera Accountant 787-765-2929 Ext. 4587</p>		<p>system and spreadsheets to recognize the expenditures by the 30-30-10 requirement and Pyramid Levels. This information is reported in the annual report and any difference between the budget proposed and expenditures are discussed.</p>
<p>2012-24 – Period of Availability</p>	<p>To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012. Among other test, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in thirty-one (31) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$177,481.</p> <p>Questioned Cost \$177,481</p>	<p>Dr. Manuel Vargas Bernal Program Director 787-765-2929 Ext. 4584 Dr. Miguel Valencia Program Director 787-765-2929 Ext. 4587 Ruth Lopez – Accountant 787-765-2929 Ext. 4584 Magaly Cabrera Accountant 787-765-2929 Ext. 4587</p>	<p>Implemented for the fiscal year ended June 30, 2015 and thereafter.</p>	<p>The following procedures were established in the Program:</p> <ul style="list-style-type: none"> • After receiving invoices from providers, the program verifies the invoice and matching with the required PO and receiving report. Once the required documentation is complete, the payment is processed in the system, copies made and sent to the complete packet to the Finance Department. • The Fiscal area in the Program prepares the payment packet and sends it to the Finance Department in a time period of no more than two (2) weeks. <p>Improvement Proposed to be applied from 2015 (CAP):</p> <ul style="list-style-type: none"> • More intense follow up to the supplier for invoices. • Enhance follow up to the areas of the PRDH who intervenes in the PO payments documents like Receiving (Storage and Property Areas) • Cancel purchases not received by November.

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
2012-25 Program Income	<p>After obtaining an understanding of the state's policies and procedures and performing our tests of controls, we noted we noted that the program charged to the medical insurance plan for the medical service provided in the pediatric clinics and the rental of medical equipment, including the deductible charge as determine by the medical insurance companies. However, the PRDH did provide us the account in which the income is registered in the accounting system. Also, the PRDH has no record regarding the deductible charged and to whom the clinics charged the service provided. In addition, the PRDH could be charging services to the medical insurance companies of people that could be consider low-income mothers or children. Therefore, we were unable to determine compliance with the program income requirement for this program.</p>	<p>Dr. Manuel Vargas Bernal Program Director 787-765-2929 Ext. 4584</p> <p>Dr. Miguel Valencia Program Director 787-765-2929 Ext. 4587</p> <p>Ruth Lopez – Accountant 787-765-2929 Ext. 4584</p> <p>Magaly Cabrera Accountant 787-765-2929 Ext. 4587</p>	<p>The CAP is expected to be completed for the fiscal year ended June 30, 2016.</p>	<p>A Program Supervisor specifically to work in this area was hired effective August 1, 2015. Evaluation of the process is in progress to correct the deficiency. Development and implementation of the CAP is expected to be completed for the fiscal year ended June 30, 2016.</p>
2012-30 Reporting	<p>We performed procedures to identify the reporting requirements applicable to the PRDH, obtained an understanding of the internal control, and determined the criteria and methodology used in compiling and reporting the data to be included in the applicable reports. We requested copy of the Federal Financial Report (FFR-425) for the grants B04M/C1701 (closeout) and B04M/C21384 (annual) and evidence as of date of submission. However, the FFR-425 reports requested were not available for examination. Therefore, we were unable to ascertain if the financial reports were complete, accurate, and prepared in accordance with the required accounting basis.</p>	<p>Dr. Manuel Vargas Bernal Program Director 787-765-2929 Ext. 4584</p> <p>Dr. Miguel Valencia Program Director 787-765-2929 Ext. 4587</p>	<p>Corrected/ Implemented for the fiscal year ended June 30, 2014.</p>	<p>By 2014 Access for the Program to the EHB was granted and we are requesting the reporting extension in a timely manner when needed and Financial Status Reports are being submitted as required.</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	The exception mentioned above is the result of the absence of adequate internal control procedures for the recordkeeping of the federal financial report supporting documentation.	Ruth Lopez – Accountant 787-765-2929 Ext. 4584 Magaly Cabrera Accountant 787-765-2929 Ext. 4587		
CFDA 84.393 SPECIAL EDUCATION – GRANTS FOR INFANTS AND FAMILIES (RECOVERY ACT)				
2012-26 Reporting	We performed procedures to identify the reporting requirements applicable to the Special Education program, Grants for Infants and Families, obtained an understanding of the internal control, and determined the criteria and methodology used in compiling and reporting the data included in the applicable reports. After identifying the applicable reports, we requested copies of the Section 1512 ARRA reports submitted for the grant H393A090038A for the quarters ended June 30, 2011, September 30, 2011 and December 31, 2011. However, those reports were not available for examination. Therefore, we were unable to trace and review the supporting records, and ascertain if all applicable data elements were included in the reports. As indicated by PRDH management, before the year 2014 they dispose various files which contain federal program fiscal reports due to health safety issues in the storage. There were no records of the reports maintained in the storage, and no detail was included with the disposition records as result of that.	Mr. Fernando Llavona – Office of Federal Affairs Director Dr. Manuel Vargas Bernard Program Director Dr. Miguel Valencia Program Director Ruth Lopez – Accountant Magaly Cabrera Accountant	In progress, implementation expected to be completed for the Fiscal Year 2016.	The Federal Affairs Office used to submit and file those reports, but before the year 2014, they disposed various files which contain federal program fiscal reports due to health safety issues in the storage. Since those files could not be opened, there are no records of the reports maintained in the storage and no detail was included with the disposition records. The reports were submitted on a timely manner. Unfortunately, we have no supporting records of those reports. We recognize that maintaining appropriate documentation is a requirement that must be corrected. For that reason, starting this 2016 fiscal year, we will be improving our recordkeeping procedures and scanning all fiscal reports submitted to the Federal Government in order to have digital records in case of any loss of paper-based records.
84.181 SPECIAL EDUCATION – GRANTS FOR INFANTS AND FAMILIES				
2012-18 Period of Availability	To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards	Dr. Manuel Vargas Bernal		Part 3, of the Compliance Supplement requirement H establishes that an obligation is not necessarily a liability in accordance with generally accepted accounting principles. When an obligation

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<p>exploring during the fiscal year ended June 30, 2012. Among other test, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in seven (7) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$11,475.</p> <p>Questioned Cost \$11,475</p>	<p>Program Director 787-765-2929 Ext. 4584</p> <p>Dr. Miguel Valencia Program Director 787-765-2929 Ext. 4587</p> <p>Ruth Lopez – Accountant 787-765-2929 Ext. 4584</p> <p>Magaly Cabrera Accountant 787-765-2929 Ext. 4587</p>	<p>Implemented for the fiscal year ended June 30, 2015 and thereafter.</p>	<p>occurs (is made) depends on the type of property or services that the obligation is for. If an obligation is for personal services by an employee of the State or sub grantee, the obligation is made when the services are performed. For the Special Education Program the type of services provided make difficult to process the payment for services provided during the liquidation period. Reasons vary and include the responsibility of the PRDOH to ensure the continuity of the services provision.</p> <p>As part of the Corrective Action Plan, a more intense follow-up to the services suppliers is put in place to avoid any delays in the obligation and/or liquidation processes.</p>
CFDA 10.557 SPECIAL SUPPLEMENTAL NUTRITION FOR WOMEN, INFANTS AND CHILDREN (WIC)				
2012-06 Cash Management	<p>During the fiscal year ended June 30, 2012, the Special Supplemental Nutrition Program for Women, Infants, and Children was covered by the Treasury-State Agreement under the Actual Clearance, ZBA – ACH. For the sample of 22 disbursement selected (excluding food funds), we requested the fund request and related supporting documents. However, the PRDH was unable to provide us the fund request documents for those transactions selected. This was due, because the PRDH did not consider the payment processed and paid by the Governmental Development Bank at the time of requesting the reimbursement of funds. Furthermore, the request of funds procedure performed by the PRDH did not consider the funding technique established in the State Treasury Agreement.</p>	<p>Sra. Dana Miró Program Director 787-766-2805</p> <p>Sra. Velmarie Martinez Program Accountant 787-766-2805</p>	<p>In progress, implementation is expected to be completed during FY 2016.</p>	<p>Effective in FY 2013, the Program amended the report which reflects expenditure transactions, allocation of funds, and the drawdowns carried out (See attachment). Each drawdown is accompanied with documentation related to the petitioned amount.</p> <p>The Policy and Procedure related to Drawdowns (P&P 5.34) was submitted to the Federal Government for review. Such P&P indicates that the Program will be carrying out drawdowns twice a month; one of these to petition funds related to payroll expenditures and the other to petition expenditures reflected in the monthly Financial Report (FNS-798).</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	<p>Therefore, we were unable to determine compliance with the cash management requirement for this program.</p> <p>Questioned Cost: None</p>			<p>We consulted the Federal Government, during their visit in June of 2015, on the time to carry out the drawdowns corresponding to expenditures in the financial report. Once we obtain their reply and as part of the Corrective Action Plan (CAP), we will proceed as follows:</p> <ol style="list-style-type: none"> 1. Update the corresponding procedures. 2. Provide training to staff on such updated procedures. 3. Establish internal controls regarding the necessary supporting documentation.
<p>2012-09 Eligibility of Participants</p>	<p>Total participants of the Special Supplemental Nutrition Program for Women, Infants, and Children Program during the fiscal year ended June 30, 2012, were 285,850. The amount expended under this federal program during such fiscal year was \$219,599,873. In testing the eligibility requirement under this program, we selected sixty (60) participants' files for testing. While reviewing the participants' files, we noted the following:</p> <ol style="list-style-type: none"> 1. Five (5) of the participants' files tested (8%), were not available for examination. 2. One (1) of the participants' files tested (2%), did not include the declaration orientation and acceptance of participants' rights and responsibilities (Form WIC 915). 3. One (1) of the participants' files tested (2%), did not include copy of the participant's identity. 4. One (1) of the participants' files tested (2%), did not include copy of income evidence. 5. Two (2) of the participants' files tested (3%), did not include copy of residence evidence. 6. For one (1) of the participants' files tested (2%), we noted that the participant income was above the income level in accordance with the WIC income eligibility guidelines. 7. For one (1) of the participants' files tested (2%), did not include evidence of the participant's re-evaluation. <p>Missing documentation in the participants' files to support their eligibility reflects deficiencies in the certification process because participants are being certified without submitting the</p>	<p>Sra. Dana Miró Program Director 787-766-2805</p> <p>Sra. Veimarie Martinez Program Accountant 787-766-2805 Accountant</p>	<p>In Progress, implementation is expected to be completed between the first and second quarter of FY 2016.</p>	<p>The WIC Program does not agree with condition identified as #6of the finding 2012-09. At the time the participant came to the reevaluation appointment on 10/11/2011 and after having considered her evidence of income, services were denied because such income exceeded the income scale of the WIC Program for FY 2011-2012. Both the MIS system and the record of the participant reflect the withdrawal of the participant (See attachments: Print Screen MIS system and Notification to the Participant). As established Policies and Procedures, evidence of income of the participant must remain on record.</p> <p>As part of the Corrective Action Plan (CAP) to findings 1, 2, 3, 4, 5 and 7; the following actions will be implemented:</p> <ol style="list-style-type: none"> 1. Central office staff (supervisors of the Nutrition Division and Policies and Procedures Division) will be offering retraining on the Policies and Procedures (P&Ps) on Certification and Eligibility (P&Ps 3.01, 3.04, 3.05 and 3.06). 2. Staff from all regional offices (regional director and regional supervisor of nutrition) will coordinate with central office staff the date and place of such retraining. <p>However, it is important to note that the calculation used to estimate the amount of questioned costs is not acceptable because the food package cost for each participant is different.</p>

PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	required documentation or the documentation has been misplaced. Questioned Cost \$3,841			
2012-17 Period of Availability	To test compliance with the period of availability requirement, we obtained the grant award notification and communications with the grantor's agency to identify the awards expiring during the fiscal year ended June 30, 2012. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in forty-seven (47) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$406,045. Also, we noted that in sixty-one (61) transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$32,087. Questioned Cost \$438,132	Mrs. Dana Miró Program Director 787-766-2805 Mrs. Velmarie Martínez Program Accountant 787-766-2805	Corrected/ Implemented since the FY ended June 30, 2013.	The Program considers that the amount of question cost should be \$405,445.56 because such amount includes payroll adjustments that were previously eliminated. The CAP for this finding is as follows: From the closeout corresponding to FY 2013, when the WIC Program prepares its closeout report, if there are unliquidated obligations, the Federal Government (FNS) requires a description of these obligations in order to grant us a period of approximately four months to liquidate these. Such period may be extended with the prior approval of FNS. No additional transactions are permitted outside the approved period.
2012-33 Special Tests and Provisions – Review of Food Instruments	To test compliance with the requirement with Special Tests and Provisions - Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors requirement, we obtained the exception report for the period from July 1, 2011 to June 30, 2012. We selected a sample of 25 transactions and noted that in 16 of the 25 transactions selected, the PRDH failed to complete the review process in the 120-days timeframe. The time elapsed for the transactions with over 120 days in the review process ranged from 126 to 837 days.	Mrs. Dana Miró Program Director 787-766-2805 Mrs. Velmarie Martínez Program Accountant 787-766-2805	In Progress, implementation is expected to be completed during the FY 2016.	As part of the Corrective Action Plan: 1. The WIC's Finance Office will continue its efforts to daily review of screens (Payments on Hold) with exceptions generated in the Check by Check Report. 2. The WIC Program is committed to assign additional staff to daily evaluate and review the Report of Exceptions to be paid within the required 120-days timeframe.
2012-34 Special Tests and Provisions – Authorization of Above 50	In order to determine whether the State agency obtained the required FNS certification on the use of above-50-percent vendors and observed regulatory restrictions on the use of such vendors for the fiscal year ended June 30, 2012, we performed the following:	Mrs. Dana Miró Program Director 787-766-2805		At the closing of the Years Ended on June 30, 2012 and June 30, 2013; the WIC Program did not have the FNS certification of the State vendor cost containment system. During 2013, the Program continued to work with FNS on a plan to meet all the requirements in order to obtain the approval of the

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
<p>Percent Vendors</p> <p>i. We requested the FNS certification of the State vendor cost containment system in order to ascertain it was within the required time frames; however, the information was not available for examination.</p> <p>ii. We requested the quarterly cost neutrality assessments performed by the PRDH during the year ended June 30, 2012, no evidence was provided of the quarterly cost neutrality assessments performed by the PRDH during the fiscal year in accordance with the required timeframe</p>	<p>Therefore, we were unable to determine compliance with the Special Tests and Provisions - Authorization of Above-50-Percent Vendors requirement for this program.</p>	<p>Mrs. Velmarie Martinez Program Accountant 787-766-2805</p>	<p>Corrected/ Implemented since March 2014 and thereafter.</p>	<p>methodology of such cost containment. This included the reclassification of vendors and their reassignment to peer groups, among other requested actions. The cost containment methodology was approved on the letter of December 20, 2013 (see Attachment 1), including the reports to be used to monitor cost neutrality. The final approval of our request for FNS certification of the Puerto Rico vendor cost containment system was received on the letter of January 6, 2014 (See attachment 2).</p> <p>The cost neutrality assessments have been carried out since March of 2014.</p>
<p>2012-35 Compliance Investigations</p>	<p>To test compliance with the requirement with Special Tests and Provisions - Compliance Investigations of High-Risk Vendors requirement, we requested the list of the high risk vendors identified and the list of the compliance investigations performed during the fiscal year ended June 30, 2012. We selected five vendors from the list of high risk provided and we requested the routine monitoring or compliance investigations. After examination of the monitoring file, we noted that the PRDH identified deficiencies during the monitoring visit; however, there was no evidence on whether the PRDH ensured that vendors took appropriate and timely corrective action on all monitoring findings.</p> <p><u>Questioned Costs: None</u></p>	<p>Mrs. Dana Miró Program Director 787-766-2805</p> <p>Sra. Velmarie Martinez Program Accountant 787-766-2805</p>	<p>In Progress, Implementation in progress, implementation is expected to be completed during FY 2016.</p>	<p>The WIC Program recognizes that it did not perform compliance investigations in the previous FYs 2012, 2013 & 2014. Although efforts were made to comply with this requirement during FY 2015, we are still taking the necessary actions towards is full compliance.</p> <p>As part of the Corrective Action Plan (CAP), the following actions will be implemented:</p> <ol style="list-style-type: none"> 1. Start the procurement process in order to establish a working relationship with a contractor that will be in charge of conducting the compliance investigations. 2. Review vendors' reports to detect areas of concern as well as to identify areas in need of technical assistance. 3. Proceed to issue timely management decisions to inform vendors on monitoring findings. 4. Maintain a system to track and follow-up on reported deficiencies and to ensure that a timely corrective action is taken.
CFDA 93.069 PUBLIC HEALTH EMERGENCY PREPAREDNESS				
<p>2012-19 Period of Availability</p>	<p>To test compliance with the requirement with period of availability, we obtained the grant award notification and</p>	<p>Ms. Jessica Cabrera</p>		<p>Finding not accepted:</p>

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<p>communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012. Among other test, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in 118 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$699,005. Also, we noted that in 103 transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$377,886.</p> <p>Questioned Cost \$1,076,901</p>	<p>Program Director 787-771-0600 787-765-2929</p> <p>Ms. Wanda Catala Program Accountant 787-771-0600 787-765-2929</p>	<p>In process.</p> <p>Implementation of the CAP is expected to be completed on or before the end of the FY June 30, 2016.</p>	<p>Payroll payments were adjusted afterwards, while the payroll was being reconciled to prepare final FFRs. Journals are attached.</p> <p>(113J90TP2218) – Payroll expenses reflected on a specific month correspond to the prior one (ex.: expenses paid on August 2011 correspond to July 2011; expenses paid on September 2011 correspond to August 2011). For this reason, spending is within the term. Furthermore, amounts assigned to payroll are not required to be obligated.</p> <p>In order to process payments to suppliers, prior approval was requested to and granted by the CDC to process said payments outside of the budget period. The approval issued by the CDC was subject to our submission of preliminary FFRs for three separate accounts.</p> <p>However, the Program will develop and implement procedures to establish due dates to incur into obligations in order to process the closure of the accounts during the period specified by federal regulation. This procedures will serve as a preventive measure to avoid any obligations and/or payments made after the allowable period.</p>
CFDA 93-889 NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM				
<p>2012-08 Cash Management – Programs not Covered by the Treasury – State Agreement</p>	<p>For each of the 12 transactions selected for testing, we reviewed the documentation supporting the clearance pattern and determined whether the PRDH followed the procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement. After performing such procedures, we noted the following deficiencies:</p> <ul style="list-style-type: none"> In two (2) of the receipt vouchers selected, the request of funds and the credit memo were not available for examination; accordingly, we were unable to test compliance with cash management requirements. 	<p>Ms. Jessica Cabrera Program Director 787-771-0600 787-765-2929</p> <p>Ms. Wanda Catala Program Accountant</p>	<p>Corrected in FY 2013.</p>	<p>During the fiscal year 2013, procedures were established by the Program to comply with the Cash Management Guidelines.</p>

PUERTO RICO DEPARTMENT OF HEALTH
 CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
 AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<ul style="list-style-type: none"> In one (1) of the receipt vouchers selected, the request of funds and related supporting documents were not available for examination; accordingly, we were unable to test compliance with cash management requirements. <p>The exceptions mentioned above are the result of: deficiencies of the filing system; and the failure to implement adequate internal control procedures that could allow maintaining an audit trace between the request and the disbursement transactions.</p> <p>Questioned Cost: None</p>	787-771-0600 787-765-2929		
2012-22 Period of Availability	<p>To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012. Among other test, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in eleven (11) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$76,564.</p> <p>Questioned Cost \$76,564</p>	Ms. Jessica Cabrera Program Director 787-771-0600 787-765-2929 Ms. Wanda Catala Program Accountant 787-771-0600 787-765-2929	Implementation of the CAP is expected to be completed on or before the end of the FY June 30, 2016.	<p>Finding not accepted:</p> <p>Funds pertaining to this grant were granted two Non-Cost Extensions. The last NOA issued reflecting the Non-Cost Extension had a period span that expired on 08/08/2011. Therefore, with this new extended date, and having 90 days to liquidate funds, payments were settled during the period's term.</p> <p>However, the Program will develop and implement procedures to establish due dates to incur into obligations in order to process the closure of the accounts during the period specified by federal regulation. This procedures will serve as a preventive measure to avoid any obligations and/or payments made after the allowable period.</p>
2012-29 Reporting	<p>We performed procedures to identify the reporting requirements applicable to the PRDH, obtained an understanding of the internal control, and determined the criteria and methodology used in compiling and reporting the data to be included in the applicable reports. We requested copy of the Federal Financial Report (FFR-425) for the grants 6U3REP090222-02 (annual report), and 6U3REP090222-03 (mid-year report) and evidence as of date of submission. After review</p>	Ms. Jessica Cabrera Program Director 787-771-0600 787-765-2929 Ms. Wanda Catala		<p><u>Deficiency i:</u> Finding accepted: The Program encountered issues with its delivery tools (either electronically or manually), thus causing a delay.</p> <p><u>Deficiency ii:</u> Finding accepted:</p>

PUERTO RICO DEPARTMENT OF HEALTH
 CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
 AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	<p>of the Federal Financial Report (FFR-425) of those grants we noted the following:</p> <p>i. In the FFR-425 of the grant 6U3REP090222-03 was submitted by PRDH on February 14, 2012, report due date was January 30, 2012. Report was submitted 15 days after the report due date.</p> <p>ii. In the FFR-425 of the grant 6U3REP090222-03, the recipient share information was not included in the report. The PRDH is required to contribute \$467,329 for this grant (10% of the total amount of federal funds expended).</p> <p>Also, we requested the End-of-Year Progress Report of the grant 6U3REP090222-02 that was due on September 30, 2011. Copy of the report and evidence of submission was not available for examination.</p> <p>The deficiency noted was the result of the absence of adequate internal control procedures for the tracking and reviewing of the Federal Financial Reports in accordance with program requirements.</p>	<p>Program Accountant 787-771-0600 787-765-2929</p>	<p>Implementation of the CAP is expected to be completed on or before the end of the FY June 30, 2016.</p>	<p>This in regards to the Matching.</p> <p>As part of the CAP, the program will do the following:</p> <p>i. Deficiency i. - Prepare a procedure that includes a table with deadlines and method of delivery and submission for each program.</p> <p>ii. Deficiency ii. - Information contained within the finding will be included in the next FFR realized.</p>
<p>CFDA 93-069 PUBLIC HEALTH EMERGENCY PREPAREDNESS CFDA 93-889 NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM</p>	<p>To test compliance with the requirement with sub recipient monitoring, we inquired management and officials of the PRDH to determine if the activities of their sub recipient were monitored to ensure compliance with federal requirements and the related cooperative agreement. After performing these procedures, we noted that the PRDH failed to perform monitoring activities during the fiscal year ended June 30, 2012 in order to obtain reasonable assurance that sub recipients used Federal funds granted for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.</p>	<p>Ms. Jessica Cabrera Program Director 787-771-0600 787-765-2929</p> <p>Ms. Wanda Cátala Program Accountant 787-771-0600 787-765-2929</p>	<p>CAP will be implemented during BP4 (2015-2016).</p>	<p>As part of the CAP, we will develop an internal procedure to provide and establish the following:</p> <ul style="list-style-type: none"> Field visits to validate sub awardee fiscal and programmatic records, observe their operations, follow-up pending issues and findings and provide technical assistance if needed, establish a methodology to deal with lack of programmatic and fiscal compliance.

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
CFDA 93-917 HIV CARE FORMULA GRANTS				
2012-12 Eligibility Sub recipient	<p>To determine compliance with eligibility requirements for the Ryan White Care Act Title II program, we selected for testing 5 sub recipients' files from a total population of 10 sub recipients for which their proposal were approved during the fiscal year ended June 30, 2012. After performing the eligibility test, we noted the following conditions:</p> <p>a) In five (5) of the five (5) sub recipients files examined (100%), the certification of availability of funds required with the proposal were not observed in the sub recipient file; and,</p> <p>b) In two (2) of the five (5) sub recipients files examined (40%), the PRDH fail to obtain the most recent Single Audit or audited financial statement.</p> <p>These documents were identified by PRDH as necessary for the evaluation of the sub recipient proposal. Therefore, the PRDH did not follow their internal controls procedures established for the evaluation and approval of sub recipient proposals.</p> <p>Questioned Cost: None</p>	<p>Dra. Norma Delgado Program Director 787-765-2929 5101</p> <p>Mr. Alexie Lugo, HIV Complementary Services Coordinator Ext. 5105</p> <p>Ms. Yajaira Alvarado 787-765-2929 Xt-5101</p>	<p>Implementation is expected to be completed by August 31, 2016.</p>	<p><u>Deficiency A:</u> At the time that the auditors requested the files, certificates of availability of funds for \$15,000 of the contracted agencies/sub recipients were not filed in the correct file. However, subsequently these forms were identified and filed correctly.</p> <p>As a corrective measure, a checklist ("checklist") was included as part of the Proposal Evaluation Guide. This checklist will ensure that the proponent/sub recipient submitted all the required documents and that are archive in the corresponding record/file. The Program oriented all staff on the importance that all documents are filed where they belong.</p> <p><u>Deficiency B - Finding not accepted:</u> Ryan White Part A & B requires to all sub recipient to comply with the federal requirements of the submission of the latest Audited Financial Statements or Single Audit Report. However and taking in consideration the cost for the sub recipients to obtain Audited Financial Statements or Single Audit Report, and these organizations being non-for profit organizations, the Program does not requires them to provide the previous year Audited Financial Statements or Single Audit Report. The Program requires them to provide the latest Audited Financial Statements or Single Audit Report available together with the Proposal.</p> <p>The Program is in compliance with this requirement. All copies of the Audited Financial Statements or Audit reports are included in the file of the sub recipient/coordinating agency.</p>
2012-15 Matching, Level of Effort, Earmarking	<p>During the performance of the earmarking tests of the Ryan White Care Act Title II for the year ended June 30, 2012, we noted that the deficiencies for the grant awards 11X12HA00046, and 12X13HA00046 for the following activities:</p>	<p>Dra. Norma Delgado Program Director 787-765-2929 5101</p>		<p><u>Finding not accepted:</u> We request the removal of finding number 2012-15 Earmarking related to internal controls, since the Ryan White Program fully complies with the requirements and conditions set by the federal government for the administration of federal funds</p>

PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/ STATUS	CORRECTIVE ACTION PLAN
	<p>a) Amounts claimed for quality management program were included as part of the administration, planning, and evaluation activities account; and</p> <p>b) The program accounts in the accounting system were not adequately expanded to record the payroll transactions based on the corresponding program activities. Amounts expended related to payroll and benefits were registered in a central account even though the type of activity related to it (Management, Planning and Evaluation, Quality Management, ADAP Earmark, and other program activities).</p> <p>c) Amount claimed as administration, planning, and evaluation in the account H11A00046-ADMIN did not accounted the expenditure incurred for this activity as result of the deficiency describe in comment B.</p> <p>A control is maintained in spreadsheets designed by the program personnel. However, such internal controls depend on the efforts made by the Fiscal personnel of the program to reconcile and update such records in a timely manner.</p> <p>Based on the above, we concluded that the fiscal controls and accounting procedures of the PRDH are not sufficient and adequate to permit the tracing of funds to a level of expenditures in the financial records and to establish that funds segregations have been made in accordance with programs requirements and regulations.</p> <p>Questioned Cost: None</p>	<p>Mr. Alexie Lugo, HIV Complementary Services Coordinator Ext. 5105</p> <p>Ms. Yajaira Alvarado 787-765-2929 Xt.5101</p>		<p>management. One of the requirements to evidence compliance with internal fiscal controls is that the funds must be managed in accordance with State Regulations and Procedures. As part of the State Regulations and Procedures, all expenses related to payroll and personal contracts must be processed under the RHJM System. Payroll transactions are recorded in a single account separated from other expenses, not by disbursement object. (See attached communication). However, the Program has an internal procedure that allows us to keep track of expenses by category and/or object of expenditure, including Payroll.</p> <p>At the beginning of each fiscal year, the program accountant creates a ledger in Excel where the income and expense categories are register based on the Regulation 49 of the Puerto Rico Treasury Department. Accounts are created in the People Soft 8.4 (PS) system and expenses are register within the assigned categories. The program keeps track of all expenses register, expenses object/category and obligations balance within the ledger/worksheet.</p> <p>It is a federal requirement to report expenditures by service category as assigned in the "Notice of Award", including payroll. For these purposes, although the PeopleSoft system does not reflect a separate payroll ledger for the Ryan White Program; Ryan White Program maintains its internal control to detail all payroll expenses broken down by category. The Program Payroll is reconciled on a monthly basis with the GL-200 (payroll registry of the Puerto Rico Treasury Department). As part of the reconciliation process, we ensure all of the Programs' employees are register/charged correctly. If an employee is identify to be charged incorrectly/incorrect account, the program accountant prepares and send to the Accounting Division of the Finance Office a Journal Voucher (SC-710). Adjustments are made in the Accounting Division, as part of the reconciliation process. Evidence of payroll correction adjustments/ Journal Vouchers were provided to the audit firm, Mr. Francisco Sanchez on May 1st, 2015.</p>

PUERTO RICO DEPARTMENT OF HEALTH
 CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
 AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN																														
				<p>We included the costs and corresponding based and in compliance of the categories of: <i>Administration, Quality, Planning & Evaluation of the FY 2010 and FY 2011 Ryan White Part B</i>. These expenses are included in the Federal Financial Reports submitted to HRSA. The FFR of both federal fiscal years were submitted to the federal government within the audited period (2012 and 2013).</p> <p>FY 2010</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Amount</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Administration</td> <td>\$2,322,151.12</td> <td>7.2%</td> </tr> <tr> <td>Quality</td> <td>176,209.39</td> <td>.5%</td> </tr> <tr> <td>Plan and Eval.</td> <td>94,379.46</td> <td>.3%</td> </tr> <tr> <td></td> <td>\$2,592,739.97</td> <td>8.0%</td> </tr> </tbody> </table> <p>FY 2011</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Amount</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Administration</td> <td>\$2,180,779.69</td> <td>7.0%</td> </tr> <tr> <td>Quality</td> <td>361,026.64</td> <td>1.02%</td> </tr> <tr> <td>Plan and Eval</td> <td>85,432.01</td> <td>.3%</td> </tr> <tr> <td></td> <td>\$2,627,238.34</td> <td>8.4%</td> </tr> </tbody> </table> <p>The established internal procedures allows the Program to comply with the maximum/ceilings amounts allowed for each category assigned by the federal government and with the: financial reporting, accounting records, track of revenues and expenses, internal control and budget control. This internal control will be maintain until any modifications are made to the Accounting System (PeopleSoft 8.5) related of the payroll transactions. Refer to CAP of Finding 2012-02.</p> <p>Based on the above explanation and information, we do not accept the Earmarking 2012-15 and request its elimination from the report. The program takes an appropriate and efficient fiscal control that allows us to tracking of revenue and expenditure of</p>	Category	Amount	%	Administration	\$2,322,151.12	7.2%	Quality	176,209.39	.5%	Plan and Eval.	94,379.46	.3%		\$2,592,739.97	8.0%	Category	Amount	%	Administration	\$2,180,779.69	7.0%	Quality	361,026.64	1.02%	Plan and Eval	85,432.01	.3%		\$2,627,238.34	8.4%
Category	Amount	%																																
Administration	\$2,322,151.12	7.2%																																
Quality	176,209.39	.5%																																
Plan and Eval.	94,379.46	.3%																																
	\$2,592,739.97	8.0%																																
Category	Amount	%																																
Administration	\$2,180,779.69	7.0%																																
Quality	361,026.64	1.02%																																
Plan and Eval	85,432.01	.3%																																
	\$2,627,238.34	8.4%																																

**PUERTO RICO DEPARTMENT OF HEALTH
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT
AUDIT PERIOD: JULY 1, 2011 TO JUNE 30, 2012**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
2012-23 Period of Availability	<p>To test compliance with the requirement with period of availability, we obtained the grant award notification and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2012. Among other test, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in 54 transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$19,064.</p> <p style="text-align: right;">Questioned Cost \$19,064</p>	<p>Dra. Norma Delgado Program Director 787-765-2929 5101</p> <p>Mr. Alexie Lugo, HIV Services Coordinator Ext. 5105</p> <p>Ms. Yajaira Alvarado 787-765-2929 Xt-5101</p>		<p>funds according to the requirements and regulations of the federal government. This control is evident in the presentation to HRSA all reports required to comply with the established deadlines, such as Expenditure Report, Progress Report, Federal Financial Report, among others, which we provided the evidence to the auditors through May 1st to 6, 2015.</p> <p><u>Finding not accepted:</u> The finding refers to 54 transactions of obligations and payments for payroll. Payroll payments were adjusted afterwards, while the payroll was being reconciled to prepare final FFRs. Journals are attached.</p> <p>All payroll expenses, related costs and personal contracts are paid under the RHUM System managed by the Puerto Rico Treasury Department. At the beginning of each federal fiscal year, the Ryan White program requests the Office of Human Resources and the Office of Finance of the PRDH to update the account number/codes of payroll expenses/transactions. Although the Programs follow-up on the requested account updates, some of these changes are not made by the Puerto Rico Treasury Department in a timely manner; therefore, and payroll payments are being charged in accounts of previous years.</p> <p>During FFRs preparation, the program identifies any incorrect charge and makes corresponding corrections/adjustments of expenses to charge the transactions/payments to the correct account.</p>