



**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SINGLE AUDIT REPORT**

**YEAR ENDED JUNE 30, 2013**

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2013

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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, 2013.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Statement in accordance with 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; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express our opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the PRDH's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PRDH's internal control. Accordingly, we express no such opinion.

License No. 10

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

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Auditors' Responsibility (continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2013, in conformity with the basis of accounting described in Note 1.

### Other Matter

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the Statement. The accompanying Schedule of Expenditures of Federal Awards included on page 17, 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.

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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the Statement as a whole, in conformity with the basis of accounting described in Note 1.

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.



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

### INDEPENDENT AUDITORS' REPORT (CONTINUED)

#### Other Reporting Required by Government Auditing Standards

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PRDH's internal control over financial reporting and compliance.

*Kreston TLSR, LLC*

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

The stamp number E196704 was  
affixed to the original of this report.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2013**

Program	State funds		Federal funds		(Totals Memorandum only)	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
Auxiliary Services	\$ 8,243,000	\$ 8,371,725	\$ -	\$ -	\$ 8,243,000	\$ 8,371,725
Clinical Laboratory Services	3,706,000	3,295,730	244,821	379,286	3,950,821	3,675,016
Economic Aid to Medical Indigent	765,000	740,288	70,647	73,943	835,647	814,231
Health Institutions	44,436,000	43,536,384	946,743	2,683,725	45,382,743	46,219,109
Health Promotion and Protection	25,786,000	23,233,206	28,231,346	32,496,131	53,417,346	55,729,337
Health Reform (Health Insurance)	219,000	44,672	1,192,650,330	1,234,907,354	1,192,869,330	1,234,952,026
Health Service Activities	211,589,677	167,382,798	-	-	211,589,677	167,382,798
Indirect Costs	7,342,583	5,147,628	-	-	7,342,583	5,147,628
Integrated Services to Communities	635,000	278,500	53,854,663	48,138,414	54,489,663	48,417,914
Intellectual Disability	38,389,000	34,504,460	-	-	38,389,000	34,504,460
Management and Administration	7,034,000	12,896,723	2,866,565	3,096,807	9,900,565	15,993,530
Planning, Evaluation and Statistics in the Health Area	2,659,000	2,642,615	-	-	2,659,000	2,642,615
Registration and Issuance of Documents of the Demographic Register	5,313,000	5,872,429	-	-	5,313,000	5,872,429
Regulation and Accreditation of Health Facilities	2,478,000	1,335,440	-	-	2,478,000	1,335,440
Regulation and Certification of Health Professionals	9,326,000	7,930,720	-	-	9,326,000	7,930,720
Regulations on Health Environment	8,893,000	11,513,184	2,497,113	2,064,087	11,390,113	13,577,281
Special Accounts	75,952,033	87,460,477	-	-	75,952,033	87,460,477
Special Supplemental Nutrition Program for Women, Infants, and Children	663,000	663,000	265,483,121	265,246,722	266,146,121	265,909,722
University Adult Hospital	66,937,000	66,720,490	-	-	66,937,000	66,720,490
University Pediatric Hospital	19,738,000	23,412,256	-	-	19,738,000	23,412,256
	<b>\$ 559,606,293</b>	<b>\$ 526,982,936</b>	<b>\$ 1,546,855,349</b>	<b>\$ 1,589,085,468</b>	<b>\$ 2,106,461,642</b>	<b>\$ 2,116,069,405</b>

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013**

**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, 2013**

**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, 2013**

**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.

On April 4, 2013 the Act Number 3 – 2013 was signed, to amend Act 447 of May 15, 1951, which created the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS), to include new guidelines as corrective measures to the actual plan's unfunded status. Amendments consist of: (1) for active participants of the contributory defined benefit programs under Act No. 447 of 1951 and Act No. 1 of 1990, all retirement benefits accrued through June 30, 2013 were frozen, and thereafter, all future benefits will accrue under the defined contribution formula used for System 2000 participants, and will be paid at retirement through a lifetime annuity; (2) increased the minimum pension for current retirees from \$400 to \$500 per month; (3) the retirement age for Act No. 447 participants will be gradually increased from age 58 to age 61; (4) the retirement age for active System 2000 participants will be gradually increased from age 60 to age 65; (5) transitioning active participants under Act No. 1 and Act No. 447 to a defined contribution plan similar to System 2000; (6) eliminated the "merit annuity" available to participants who joined the ERS prior to April 1, 1990; (7) the retirement age for new employees was increased to age 67, except for new state and municipal police officers, firefighters, and custody officers, which will be age 58; (8) employee contribution rate was increased from 8.275% to 10%; (9) for System 2000 participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity; (10) eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from \$600 to \$200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings will be contributed to the ERS; (11) disability benefits were eliminated and substituted for a mandatory disability insurance policy; and (12) survivor benefits were modified. The effective date of this Act will be July 1, 2013.

Total contributions made for the pension plan during the year ended June 30, 2013, amounted to \$13,991,550 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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**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, 2013, under these lease agreements amounted to approximately \$18.4 million. Information of the future minimum rental payments required under these operating leases was not available.

**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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**5. CONTINGENCIES (CONTINUED)**

Substantially all grants are subject to financial and compliance audits by the grantor agencies. All disallowed costs as a result of these audits become a liability of the fund that receives the grant and must be reimbursed to the Federal Government from the PRDH's local funds. The Schedule of Findings and Questioned Costs for the year ended June 30, 2013 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, 2013**

<b><u>U.S. Department of Agriculture</u></b>		
Direct Programs:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 265,206,762
Special Supplemental Nutrition Program for Women, Infants, and Children - Recovery Act	10.557	<u>39,960</u>
Sub-total for U.S. Department of Agriculture		<u>265,246,722</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Direct Program:		
Housing Opportunities for Persons with AIDS	14.241	<u>73,943</u>
<b><u>U.S. Environmental Protection Agency / Office of Water</u></b>		
Direct Programs:		
State Public Water System Supervision	66.432	904,082
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>772,524</u>
Sub-total for U.S. Environmental Protection Agency		<u>1,676,606</u>
<b><u>U.S. Department of Education</u></b>		
Direct Programs:		
Special Education-Grants for Infants and Families	84.181	<u>4,538,715</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Direct Programs:		
Clinical Laboratory Improvements	42.493	379,286
Medical Reserve Corps Small Grant Program	93.008	-
Public Health Emergency Preparedness	93.069	3,611,549
Environmental Public Health and Emergency Response	93.070	387,481
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	5,108,499
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	4,271
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	129,380
Maternal and Child Health Federal Consolidated Programs	93.110	151,873
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	<u>793,443</u>
Sub-total carried forward (U.S. Department of Health and Human Services)		10,565,782

(Continue)

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor / Pass-Through Grantor /Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursement</u>
<b><u>U.S. Department of Health and Human Services (continued)</u></b>		
Sub-total of Federal Grantor Programs from previous page		\$ 10,565,782
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	272,559
Injury Prevention and Control Research and State and Community Based Programs	93.136	398,747
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	307,336
Affordable Care Act (ACA) Abstinence Education Program	93.235	1,222,413
Grant to States to Support Oral Health Workforce Activities	93.236	117,471
Universal Newborn Hearing Screening	93.251	102,893
Children's Hospitals Graduate Medical Education Payment Program	93.255	2,683,725
Immunization Cooperative Agreements	93.268	3,746,758
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	1,411,860
State Partnership Grant Program to Improve Minority Health	93.296	123,527
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	112,371
PPHF 2012 National Public Health Improvement Initiative	93.507	287,567
Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Prevention to Work	93.520	74,598
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	281,658
The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	455,911
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	331,321
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	93.544	214,053
Preventing Healthcare-Associated Infections - Recovery Act	93.717	33,483
State Grants to Promote Health Information Technology - Recovery Act	93.719	<u>972,180</u>
Sub-total carried forward (U.S. Department of Health and Human Services)		23,716,213

(Continue)

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursement</u>
<b><u>U.S. Department of Health and Human Services (continued)</u></b>		
Sub-total of Federal Grantor Programs from previous page		\$ 23,716,213
Prevention and Wellness-State, Territories and Pacific Islands - Recovery Act	93.723	269,190
Communities Putting Prevention to Work: Chronic Disease Self- Management Program - Recovery Act	93.725	90,122
State Public Health Approaches for Ensuring Quillino Capacity- Funded in part by 2012 Prevention and Public Health Funds	93.735	30,398
Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds	93.745	44,254
Children's Health Insurance Program	93.767	150,533,605
Medical Assistance Program	93.778	1,038,933,269
Medical Assistance Program - Recovery Act	93.778	45,440,480
National Bioterrorism Hospital Preparedness Program	93.889	768,538
HIV Care Formula Grants	93.917	34,557,494
HIV Care Formula Grants - Recovery Act	93.917	10,550
Healthy Start Initiative	93.926	418,666
HIV Prevention Activities-Health Department Based	93.940	5,078,861
HIV Demonstration, Research, Public and Professional Education Projects	93.941	44,149
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	257,871
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,097,601
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2,857,016
Preventive Health Services-Sexually Transmitted Diseases Control Grants	93.977	1,366,244
Preventive Health and Health Services Block Grant	93.991	1,383,844
Maternal and Child Health Services Block Grant to the States	93.994	<u>10,651,501</u>
Sub-total for U.S. Health and Human Services		<u>1,317,549,866</u>
<b><u>U.S. Social Security Administration</u></b>		
Direct Program:		
Social Security Research and Demonstration	96.007	<u>617</u>
Grand Total of Expenditures of Federal Awards		<u>\$ 1,589,086,469</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, 2013**

**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, 2013. 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>
	Public Health Emergency Preparedness	93.069
U.S. Health and Human Services	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074
	National Bioterrorism Hospital Preparedness Program	93.889

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts and Disbursements (the Statement) of the Department of Health of the Commonwealth of Puerto Rico (the PRDH) for the year ended June 30, 2013, and the related notes to the Statement, and have issued our report thereon dated August 25, 2015. 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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

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 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. 2013-01, 2013-02, and 2013-06 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. 2013-03 and 2013-04 to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PRDH's Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2013-05, and 2013-07 through 2013-33.

PRDH's Response to Findings

The PRDH's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The PRDH's response was not subjected to the auditing procedures applied in the audit of the Statement 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)**

Purpose of this Report

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

*Kreston TLSR, LLC*

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

The stamp number E196705 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**

Report on Compliance for Each Major Federal Program

We have audited the PRDH's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the PRDH's major federal programs for the year ended June 30, 2013. The PRDH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the PRDH's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the PRDH's compliance.

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)**

Basis for Qualified Opinion on Major Programs

As described in Findings No. 2013-05 through 2013-12, 2013-14 through 2013-33, 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:

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
2013-05, 2013-06	Allowable Costs / Cost Principles	CFDA 10.557 CFDA 93.069 / CFDA 93.074 /  CFDA 93.889  CFDA 93.778 CFDA 93.917 CFDA 93.940  CFDA 93.994	Special Supplemental Nutrition Program for Women, Infants, and Children, Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements, National Bioterrorism Hospital Preparedness Program, Medical Assistance Program, HIV Care Formula Grants, HIV Prevention Activities-Health Department Based, and Maternal and Child Health Services Block Grant to the States
2013-07, 2013-08, 2013-09	Cash Management	CFDA 10.557  CFDA 93.778 CFDA 93.994	Special Supplemental Nutrition Program for Women, Infants, and Children, Medical Assistance Program, and Maternal and Child Health Services Block Grant to the States
2013-10, 2013-11 2013-12	Eligibility	CFDA 10.557  CFDA 93.767 CFDA 93.778	Special Supplemental Nutrition Program for Women, Infants, and Children, Children's Health Insurance Program, and Medical Assistance Program,

Honorable Ana Rius, PhD.  
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**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)**

Basis for Qualified Opinion on Major Programs (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
2013-14	Equipment and Real Property Management	CFDA 10.557 CFDA 93.069 / CFDA 93.074 /  CFDA 93.889  CFDA 93.778 CFDA 93.940	Special Supplemental Nutrition Program for Women, Infants, and Children, Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements, National Bioterrorism Hospital Preparedness Program, Medical Assistance Program, and HIV Prevention Activities-Health Department Based
2013-15, 2013-16, 2013-17, 2013-18, 2013-19	Matching, Level of Effort, Earmarking	CFDA 93.069 / CFDA 93.074 /  CFDA 93.889  CFDA 93.917 CFDA 93.940  CFDA 93.994	Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements, National Bioterrorism Hospital Preparedness Program, HIV Care Formula Grants, HIV Prevention Activities-Health Department Based, and Maternal and Child Health Services Block Grant to the States

Honorable Ana Rius, PhD.  
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**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)**

Basis for Qualified Opinion on Major Programs (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
2013-20, 2013-21, 2013-22, 2013-23, 2013-24	Period of Availability	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children,
		CFDA 93.069 / CFDA 93.074 /	Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements,
		CFDA 93.889	National Bioterrorism Hospital Preparedness Program,
		CFDA 93.778 CFDA 93.917 CFDA 93.994	Medical Assistance Program, HIV Care Formula Grants, and Maternal and Child Health Services Block Grant to the States
2013-06	Procurement and Suspension and Debarment	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children,
		CFDA 93.069 / CFDA 93.074 /	Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements,
		CFDA 93.889	National Bioterrorism Hospital Preparedness Program,
		CFDA 93.778 CFDA 93.917 CFDA 93.940	Medical Assistance Program, HIV Care Formula Grants, HIV Prevention Activities-Health Department Based, and
		CFDA 93.994	Maternal and Child Health Services Block Grant to the States

Honorable Ana Rius, PhD.  
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**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)**

Basis for Qualified Opinion on Major Programs (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
2013-25	Program Income	CFDA 93.994	Maternal and Child Health Services Block Grant to the States
2013-26, 2013-27, 2013-28, 2013-29	Reporting	CFDA 93.069 / CFDA 93.074 /  CFDA 93.889  CFDA 93.778 CFDA 93.917 CFDA 93.940  CFDA 93.994	Public Health Emergency Preparedness, Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements, National Bioterrorism Hospital Preparedness Program, Medical Assistance Program, HIV Care Formula Grants, HIV Prevention Activities-Health Department Based, and Maternal and Child Health Services Block Grant to the States
2013-30	Subrecipient Monitoring	CFDA 93.940	HIV Prevention Activities-Health Department Based
2013-31, 2013-32, 2013-33	Special Tests and Provisions	CFDA 10.557  CFDA 93.778	Special Supplemental Nutrition Program for Women, Infants, and Children, and Medical Assistance Program

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

Honorable Ana Rius, PhD.  
Secretary  
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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)**

Qualified Opinion on Major Programs with CFDA No. 10.557, 93.069, 93.074, 93.767, 93.778,  
93.889, 93.917, 93.940, and 93.994

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the PRDH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Supplemental Nutrition Program for Women, Infants, and Children; Public Health Emergency Preparedness; Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements; Children's Health Insurance Program; Medical Assistance Program; National Bioterrorism Hospital Preparedness Program; HIV Care Formula Grants; HIV Prevention Activities-Health Department Based; and Maternal and Child Health Services Block Grant to the States for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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. 2013-11 and 2013-13. Our opinion on each major federal program is not modified with respect to these matters.

The PRDH's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The PRDH's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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)**

Report on Internal Control over Compliance

Management of the PRDH is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the PRDH's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. 2013-05, 2013-07 through 2013-10, 2013-12, and 2013-14 through 2013-33 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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)**

Report on Internal Control over Compliance (continued)

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-02 through 2013-04, 2013-06, 2013-11 and 2013-13 to be significant deficiencies.

The PRDH's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The PRDH's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kreston TLSR, LLC*

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

The stamp number E196706 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, 2013

**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-six (26) of which were considered material weaknesses and six (6) were considered significant deficiencies.
4. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion on the following major programs:

CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA 93.069	Public Health Emergency Preparedness
CFDA 93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements,
CFDA 93.889	National Bioterrorism Hospital Preparedness Program
CFDA 93.767	Children's Health Insurance Program
CFDA 93.778	Medical Assistance Program
CFDA 93.917	HIV Care Formula Grants
CFDA 93.940	HIV Prevention Activities-Health Department Based
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 \$4,767,259 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, 2013**

**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	\$ 1,126,142
Special Supplemental Nutrition Program for Women, Infants, and Children – Recovery Act	10.557	-
Public Health Emergency Preparedness	93.069	1,665
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	-
Children's Health Insurance Program	93.767	5,141
Medical Assistance Program	93.778	11,706,224
Medical Assistance Program – Recovery Act	93.778	289,764
National Bioterrorism Hospital Preparedness Program	93.889	529,552
HIV Care Formula Grants	93.917	-
HIV Prevention Activities-Health Department Based	93.940	68,912
Maternal and Child Health Services Block Grant to the States	93.994	<u>310,071</u>
		<u>\$14,037,471</u>

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-01      DIBURSEMENTS – STATE FUNDS**

**Category**

Internal control

**Condition found**

During the year ended June 30, 2013, the PRDH charged expenditures to state programs amounting to \$364,072,262 (excluding \$162,910,674 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 \$29,524,071 (8%). In testing compliance and internal controls over allowability and procurement requirements for state funds, we noted the following exceptions:

1. In one (1) of the twenty (20) disbursements selected (5%), the PRDH failed to provide the contract, proposals, RFP evaluation, and other related documents of the voucher 00077189. The cost related to this condition amounted to \$92,456.
2. In six (6) of the twenty (20) disbursements selected (30%), the PRDH failed to provide the procurement files (quotes, bid summary form, and other related documents) of the vouchers: 00047285, 00055613, 00058712, 00068089, 00074510 and 00082157. The costs related to this condition amounted to \$2,217,588.
3. In two (2) of the twenty (20) disbursements selected (10%), only one proposal was available for examination related to the vouchers: 00053283 and 00079686. The cost related to this condition amounted to \$103,984.
4. In one (1) of the twenty (20) disbursements selected (5%), the PRDH did not provide the receiving report for our examination for the voucher 00082157.
5. In one (1) of the twenty (20) disbursements selected (5%), the transaction was allocated to the incorrect cost objective for the voucher 0001210777.
6. In one (1) of the twenty (20) disbursements selected (5%), the PRDH did not provide a cost-benefit assessment that demonstrated the necessity and reasonability of the transaction for the performance and administration of the State activities for the voucher 0053283.
7. In nineteenth (19) of the twenty (20) disbursement selected (95%), the cancelled checks were not available for examination.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-01      DIBURSEMENTS – STATE FUNDS (CONTINUED)**

**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.

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 \$2,414,028. 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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-01      DIBURSEMENTS – STATE FUNDS (CONTINUED)**

**Recommendations (continued)**

- 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, 2013

**FINDING NO. 2013-02      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, 2013, 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, 2013**

**FINDING NO. 2013-02      ACCOUNTING RECORDS (CONTINUED)**

**Condition found (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. 2013-15, 2013-17, 2013-18, and 2013-19.
- 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. 2013-15, 2013-17, 2013-18, and 2013-19.
- 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. 2013-01, 2013-04, 2013-05, 2013-06, 2013-07, 2013-08, 2013-10, 2013-11, 2013-12, 2013-28, 2013-32 and 2013-33.
- We obtained an accounts receivable listing amounting to \$4,941,315 as of June 30, 2013. 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, 2013**

**FINDING NO. 2013-02      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, 2013

FINDING NO. 2013-02 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, 2013**

**FINDING NO. 2013-02      ACCOUNTING RECORDS (CONTINUED)**

**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 account 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, 2013

FINDING NO. 2013-03 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, 2012 of the PRDH was submitted after March 31, 2013, 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.

**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, 2013

FINDING NO. 2013-03 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, 2013**

**FINDING NO. 2013-04      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 57 employees' files from which forty (40) were paid with federal funds and seventeen (17) were paid with state funds. However, for one (1) of the 57 files selected, the employee file was not available for examination. Our examination of the 56 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	56	1	2%
Job Description	56	4	7%
Resume	56	1	2%
Certification of Academic Preparation	56	7	13%
Birth Certificate	56	3	5%
Personnel History	56	1	2%
Asume Form (ASM-5)	56	19	34%
Employment Eligibility Verification (Form I-9)	56	2	4%
Salary change form	56	1	2%
Copy of ID	56	1	2%
Health Certificate form	56	12	21%
Income Tax Withholding form	56	12	21%
Criminal Record Certificate	56	1	2%
Copy of Social Security card	56	1	2%
Informative Manual Work Area Free of Drugs (Law # 101-226)	56	3	5%
Drug free test	56	6	11%
Receipt of Sexual Harassment Law	56	14	25%

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-04 PERSONNEL FILES AND PAYROLL (CONTINUED)**

**Condition found (continued)**

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.

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.

Also, the PRDH has employees contracted as professional services. We selected a sample of 10 employees from the details obtained from the journal entries selected as part of our disbursement test to determine if the contract file included the required documents by the PRDH.

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

- a) During the payroll test, we noted that 52 of the 57 employees selected for testing were paid through direct deposit. However, in 7 of the 57 cases (12%), no evidence was provided of the request and authorization of the employee to participate in the direct deposit system.
- b) For the five (5) employees not paid thru direct deposit, the cancelled checks for the pay period selected were not available for examination.
- c) In 57 of the 57 cases (100%), the attendance sheets were not available for examination.
- d) In 1 of the 10 employees under professional services contract, the amount paid exceeded the maximum amount per month. The maximum monthly salary allowed was \$2,333.00 and the total amount paid for the month of September 2012 was \$2,412.50.

**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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-04 PERSONNEL FILES AND PAYROLL (CONTINUED)**

**Criteria (continued)**

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.

**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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-04 PERSONNEL FILES AND PAYROLL (CONTINUED)**

**Recommendations (continued)**

- 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.
- 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, 2013

FINDING NO. 2013-05      INDIRECT COSTS - WIC

**Federal programs**

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

**Category**

Compliance / Internal control

**Compliance requirement**

Allowable Costs / Cost Principles

**Condition found**

To determine compliance with Allowable Costs / Cost Principles under the WIC program, we obtained an understanding of the PRDH's policies and procedures for claiming the reimbursement of indirect cost. We obtained the indirect cost proposal submitted to HHS and the Indirect Cost Agreement which stated the approved indirect cost rates which will apply to the fiscal year ended June 30, 2013. We made a selection of 7 transactions representing 68% (\$4,975,510) of the total amount claimed as indirect costs. For the sample selected we requested the supporting documents maintained by the PRDH to support the amounts claimed. After performing our audit procedures, we noted the following deficiencies:

1. In three (3) of the seven (7) claims for reimbursement examined (43%), we received the calculation worksheet and the adjustment voucher, but the supporting documentation provided included the accumulated expense for the year and not the accumulated expense at the time of the claim. Therefore, the adjustment vouchers were not properly supported. However, we examined the calculation at the ended and the PRDH earned the amount claim, except for the amount reported in comment number 3.
2. In two (2) of the seven (7) claims for reimbursement examined (29%), after recalculating the amount of indirect costs claimed, we noted that the PRDH claimed \$401,496 in excess of the amount of indirect costs earned.
3. In one (1) of the seven (7) claims for reimbursements examined (14%), the rate used to calculate the claims was higher than the approved indirect cost rate. The effect of this error in the indirect costs claimed was \$113,383 (amount was already included in condition number 2).

COMMONWEALTH OF PUERTO RICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-05      INDIRECT COSTS – WIC (CONTINUED)

**Condition found (continued)**

The conditions detailed above were caused by inadequate internal controls and procedures to ascertain about the accuracy and completeness of the indirect costs claims for reimbursement procedures.

**Criteria**

2 CFR 225 Appendix A section C (1) (j) of the "Factors affecting allowability of costs" establishes that to be allowable under Federal awards, costs must be adequately documented.

7 CFR 3016.20 section 20 (b) (5) and (6) establish that the financial management systems of other grantees and subgrantees must meet the following standards:

- i. 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.
- ii. 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.

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.

**Effect**

Above conditions could result in noncompliance with federal regulations and cost disallowances by the grantors.

**Questioned costs**

\$401,496	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
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COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-05      INDIRECT COSTS – WIC (CONTINUED)

**Recommendations**

The PRDH shall provide adequate training to the program's personnel and all other employees in charge of the claims for reimbursements procedures on all federal regulations related to the allowability of costs claimed for indirect costs. The PRDH shall also establish and implement controls for the proper review and authorization during the processing and recording of indirect costs claims and journal entries.

Also, we recommend to PRDH to maintain adequate documentation to support the allowability of its expenditures. Indirect costs claims shall be supported with the financial information used and available at the time of the claim is made.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-06      DISBURSEMENT TEST**

**Federal programs**

CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA 93.069	Public Health Emergency Preparedness
CFDA 93.074	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements
CFDA 93.778	Medical Assistance Program
CFDA 93.889	National Bioterrorism Hospital Preparedness Program
CFDA 93.917	HIV Care Formula Grants
CFDA 93.940	HIV Prevention Activities-Health Department Based
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 139 disbursements from the programs listed below (excluding those related to payroll and fringe benefits expenditures, and assistance payments) that totaled \$41,314,268. The distribution of these disbursements was as follows:

<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	25	\$ 9,448,849	\$22,508,773	42%
93.069 / 93.074 / 93.889	Public Health Emergency Preparedness; Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements; and National Bioterrorism Hospital Preparedness Program	24	4,952,673	8,877,805	56%
93.778	Medical Assistance Program	24	4,743,174	22,924,298	21%
93.917	HIV Care Formula Grants	22	20,130,011	32,970,806	61%
93.940	HIV Prevention Activities-Health Department Based	24	1,138,922	2,837,274	40%
93.994	Maternal and Child Health Services Block Grant to the States	<u>20</u>	<u>900,839</u>	<u>2,275,281</u>	<u>40%</u>
		<b><u>139</u></b>	<b><u>\$41,314,268</u></b>	<b><u>\$92,394,237</u></b>	<b><u>45%</u></b>

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-06 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

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

Attribute	Condition	Exceptions
A.	Only one quote was available for examination.	7
B.	Contract was not available for examination.	3
C.	Cost price analysis was not available for examination	3
D.	Cost-benefit assessment of the necessity and reasonability of the transaction for the performance and administration of the program were not available for examination.	5
E.	Disbursement allocated to an incorrect cost objective.	24
F.	Expenditure transaction not properly supported.	3
G.	No evidence found of verification of contracted vendors in the Excluded Party List System (EPLS)	43

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

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**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-06 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	Questioned Costs
8/10/2012	\$ 317,421	00046918							X	\$ -
9/28/2012	7,679	0001215212					X			-
10/15/2012	39,841	00055181							X	-
11/27/2012	292,124	00060100							X	-
1/10/2013	210,229	00064225							X	-
1/11/2013	438,806	00064321							X	-
2/11/2013	21,311	00067968							X	-
2/20/2013	266,752	00069437							X	-
3/15/2013	181,583	00071940							X	-
3/21/2013	91,367	00072653	X			X				91,367
4/3/2013	48,839	00073613							X	-
4/18/2013	9,300	00075443							X	-
4/30/2013	246,642	00076843							X	-
<b>1 0 0 1 1 0 11</b>										<b>\$ 91,367</b>

CFDA 93.069 / 93.074 / 93.889 Public Health Emergency Preparedness; Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements; and National Bioterrorism Hospital Preparedness Program

Date	Amount	Document Number	A	B	C	D	E	F	G	Questioned Costs
7/13/2012	\$ 208,638	0001198928					X			\$ -
8/8/2012	265,835	00046643							X	-
9/14/2012	186,733	0001210777					X			-
10/15/2012	239,769	0001218931					X			-
11/7/2012	232,233	0001228349					X			-
12/14/2012	346,532	0001234328					X			-
12/27/2012	27,300	00063312							X	-
1/4/2013	364,641	0001243795					X			-
1/25/2013	272,811	00066818							X	-
2/15/2013	350,154	0001243122					X			-
2/21/2013	7,449	00069478							X	-
3/15/2013	334,219	0001250981					X			-
3/20/2013	170,981	00072551							X	-
4/12/2013	319,944	0001255589					X			-
5/15/2013	310,595	0001262640					X			-
6/14/2013	321,452	0001271414					X			-
<b>0 0 0 0 11 0 5</b>										<b>\$ -</b>

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-06 DISBURSEMENT TEST (CONTINUED)**

**Condition found (continued)**

**CFDA 93.778 Medical Assistance Program**

Date	Amount	Document Number	A	B	C	D	E	F	G	Questioned Costs
7/20/2012	\$ 3,285	00045183							X	\$ -
8/28/2012	423,911	0000063958						X		423,911
9/6/2012	1,383,546	0000064320						X		1,383,546
9/24/2012	19,832	00052753		X	X				X	19,832
9/27/2012	213,030	00053385	X							213,030
11/2/2012	31,424	00057646		X	X				X	31,424
11/29/2012	135,000	00080324							X	-
12/13/2012	58,212	00082176							X	-
1/16/2013	40,886	0064714	X			X				40,886
1/25/2013	16,876	00065843		X	X				X	16,876
3/1/2013	9,968	00070303							X	-
3/19/2013	85,192	00072265	X			X				85,192
4/9/2013	203,037	00074395	X							203,037
4/30/2013	140,448	00076649							X	-
6/3/2013	4,194	00080427							X	-
			4	3	3	2	0	2	9	<u>\$2,417,734</u>

**CFDA 93.917 HIV Care Formula Grants**

Date	Amount	Document Number	A	B	C	D	E	F	G	Questioned Costs
7/9/2012	64,648	00043591							X	\$ -
7/9/2012	494,727	00043591							X	-
7/9/2012	2,231,649	00043591							X	-
7/9/2012	3,284,195	00043591							X	-
7/9/2012	1,268,255	00043622							X	-
7/9/2012	1,787,635	00043622							X	-
10/1/2012	907,546	00053696							X	-
11/13/2012	254,328	00058816							X	-
1/4/2013	61,035	0001243795					X			-
1/8/2013	972,661	00063827							X	-
4/10/2013	256,784	00074668							X	-
			0	0	0	0	1	0	10	\$ -

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-06      DISBURSEMENT TEST (CONTINUED)**

**Condition found (continued)**

**CFDA 93.940 HIV Prevention Activities - Health Department Based**

Date	Amount	Document Number	A	B	C	D	E	F	G	Questioned Costs
9/14/2012	6,398	0001210777					X			\$ -
10/1/2012	5,162	0710F13079							X	-
11/14/2012	214,125	00058909							X	-
11/14/2012	118,500	00058910							X	-
1/22/2013	52,875	00065119							X	-
6/6/2013	37,500	00080871							X	-
6/14/2013	33,641	00081963	X			X				33,641
6/14/2013	35,271	00082004	X			X				35,271

2   0   0   2   1   0   5      \$ 68,912

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

Date	Amount	Document Number	A	B	C	D	E	F	G	Questioned Costs
7/20/2012	3,255	0001204966					X			\$ -
8/15/2012	4,100	0001204969					X			-
9/11/2012	16,110	00050609							X	-
10/22/2012	495,000	00055972							X	-
11/7/2012	21,111	0001228349					X			-
11/15/2012	40,000	0000067221						X		40,000
12/14/2012	49,310	0001234328					X			-
1/4/2013	48,431	0001243795					X			-
1/31/2013	16,327	00066560							X	-
2/15/2013	37,168	0001243122					X			-
3/28/2013	2,045	0001253246					X			-
4/12/2013	38,576	0001255589					X			-
4/30/2013	26,160	0001259453					X			-
5/15/2013	36,364	0001262640					X			-

0   0   0   0   10   1   3      \$ 40,000

**Exceptions noted      7   3   3   5   24   3   43      \$2,618,013**

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-06      DISBURSEMENT TEST (CONTINUED)**

**Condition found (continued)**

Also, during the disbursement test, we noted that 47 of the 139 transactions selected for testing (34%) were related to journal entries adjustments. For the remaining 92 disbursements we requested the cancelled checks. However, in 88 of the 92 transactions (96%), the cancelled checks were not available for examination.

At the time this report was being issued the PRDH indicated that they have identified additional information related to the conditions included in this finding. However, such information was not available for examination at the time of performing this test or at the subsequent several deadlines established.

**Criteria**

2 CFR 225 appendix A section C (1) (j) of the OMB Circular A-87 "Factors affecting allowability of costs" establishes that to be allowable under Federal awards, costs must be adequately documented.

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.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-06 DISBURSEMENT TEST (CONTINUED)

Criteria (continued)

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.
- 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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-06      DISBURSEMENT TEST (CONTINUED)**

**Criteria (continued)**

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.

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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-06      DISBURSEMENT TEST (CONTINUED)**

**Questioned costs**

\$	91,367	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
	2,417,734	CFDA 93.778	Medical Assistance Program
	68,912	CFDA 93.940	HIV Prevention Activities - Health Department Based
	<u>40,000</u>	CFDA 93.994	Maternal and Child Health Services Block Grant to the States
	<u>\$2,618,013</u>		

**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, 2013

FINDING NO. 2013-07      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, 2013, 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 25 disbursements selected, which represented \$8,448,649 (20.61%) of the program expenditures of \$45,851,447 (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 procedure 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 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 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 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, 2013**

**FINDING NO. 2013-07      REQUEST OF FUNDS – WIC (CONTINUED)**

**Criteria (continued)**

31 CFR 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 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, 2013

FINDING NO. 2013-08      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, 2013, the Medical Assistance Program was covered by the Treasury-State Agreement under the Actual Clearance, ZBA – ACH. For the sample of 24 disbursements selected, which represented \$4,743,174 (9.32%) of the program expenditures of \$50,839,945 (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, 2013.

**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.

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COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-08      REQUEST OF FUNDS - MAP(CONTINUED)

**Criteria (continued)**

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) 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, 2013

FINDING NO. 2013-08      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, 2013**

**FINDING NO. 2013-09      CASH MANAGEMENT - PROGRAMS NOT COVERED BY THE  
TREASURY - STATE AGREEMENT**

**Federal programs**

CFDA 93.069 CFDA 93.074	Public Health Emergency Preparedness Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements
CFDA 93.889 CFDA 93.917 CFDA 93.940 CFDA 93.994	National Bioterrorism Hospital Preparedness Program HIV Care Formula Grants HIV Prevention Activities-Health Department Based 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, 2013, 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, 93.074 and 93.889	Public Health Emergency Preparedness; Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements; and National Bioterrorism Hospital Preparedness Program	3	\$ 432,335
93.917	HIV Care Formula Grants	7	31,859,462
93.940	HIV Prevention Activities Health Department Based	2	3,116,380
93.994	Maternal and Child Health Services Block Grant to the States	<u>4</u>	<u>5,370,894</u>
		<b><u>16</u></b>	<b><u>\$40,779,071</u></b>

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-09 CASH MANAGEMENT - PROGRAMS NOT COVERED BY THE  
TREASURY - STATE AGREEMENT (CONTINUED)

**Condition (continued)**

For each of the 16 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 that in two (2) of the receipt vouchers selected for testing, the PRDH did not reduce the time between the drawdown of Federal funds and its disbursement for an amount of \$1,904,683 of the total funds requested. The \$1,904,683 represented approximately 54% of the total amount requested. The time elapsed between the settlement date and the disbursements of the amount indicated before was between 5 to 64 days.

The exception mentioned above is the result of the failure to implement adequate internal control procedures that could allow maintaining an audit trail between the requests and the disbursement transactions.

**Criteria**

45 CFR section 92.21 (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 205.33 (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 funds 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.

**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, 2013

FINDING NO. 2013-09      CASH MANAGEMENT - PROGRAMS NOT COVERED BY THE  
TREASURY - STATE AGREEMENT (CONTINUED)

**Recommendations**

The PRDH shall request only the amount of funds necessary to meet its immediate cash needs in order to prevent excess cash balances. Whenever payment amounts are adjusted after the funds were requested or received, such excess of cash should be returned to the federal agency immediately. Establishing more reliable and thorough cash forecasting procedures and subjecting such forecasts to the formal review and approval of PRDH's management should meet this objective.

Also, the PRDH shall train the finance personnel of the program on those federal regulations related to the cash management requirements. We recommend the PRDH to establish adequate supervision and procedures that ensure compliance with these requirements.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-10      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, 2013, were 276,963. The amount expended under this federal program related to food instruments during such fiscal year was \$219,641,674. 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. For one (1) of the participants' files tested (2%), the information included in the file provided belonged to the year 2008, information related to the year under audit was not available for examination.
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's income was above the income level in accordance with the WIC income eligibility guidelines.
7. One (1) of the participants' files tested (2%), did not include the evidence of the hematological test.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-10 ELIGIBILITY OF PARTICIPANTS – WIC (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

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 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.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-10 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 costs allocated to them, amounting to \$3,965.18 (\$793.04 cost per participant x 5 ineligible participants) have been questioned, since likely questioned costs exceed \$10,000.

**Questioned costs**

<u>\$ 3,965</u>	CFDA 10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
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**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, 2013

FINDING NO. 2013-11 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, 2013, were 146,407. The amount expended under this federal program during such fiscal year was \$150,533,605. 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. Four (4) of the participants' files tested (7%), did not include copy of the head of household identification.
3. Four (4) of the participants' files tested (7%), did not include copy of the social security card.
4. One (1) of the participants' files tested (2%), did not include evidence of citizenship.
5. One (1) of the participants' files tested (2%), did not include evidence of residency verification.
6. One (1) of the participants' files tested (2%), did not include evidence of the participant's 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, 2013

FINDING NO. 2013-11 ELIGIBILITY OF PARTICIPANTS – CHIP (CONTINUED)

**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 five (5) participants, the total estimated cost allocated to them, amounting to \$5,140.95 (\$1,028.19 cost per participant x 5 ineligible participants) have been questioned, since likely questioned costs exceed \$10,000.

**Questioned costs**

\$ 5,141      CFDA 93.767      Children's Health Insurance Program

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COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-11      ELIGIBILITY OF PARTICIPANTS – CHIP (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, 2013

FINDING NO. 2013-12      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, 2013, were 1,378,504. The amount expended, excluding administrative cost, under this federal program during such fiscal year was \$1,033,533,804. 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. One (1) of the participants' files selected for testing (2%), was not available for examination.
2. Seven (7) of the participants' files tested (12%), did not include copy of the participants' identification.
3. One (1) of the participants' files tested (2%), did not include copy of the social security card.
4. One (1) of the participants' files tested (1%), did not include evidence of the participant's citizenship.
5. Four (4) of the participants' files tested (7%), did not include evidence of the participants' residence information.
6. Two (2) of the participants' files tested (3%), 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, 2013

FINDING NO. 2013-12 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 435.913 (a) establishes that the agency must include in each applicant's case record facts to support the agency's decision on his application.

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 eight (8) participants, the total estimated cost allocated to them, amounting to \$5,998 (\$749.75 cost per participant x 8 ineligible participants) were questioned, since likely questioned costs exceed \$10,000.

**Questioned costs**

\$ 5,998            CFDA 93.778            Medical Assistance Program

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-12      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, 2013

FINDING NO. 2013-13      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 9 subrecipients whose proposal were approved during the fiscal year ended June 30, 2013. Total funds disbursed to the entities selected represented 49% (\$1,775,519) of the total funds disbursed to subrecipients (\$3,596,375). After performing the eligibility test, we noted that in five (5) of the five (5) subrecipients files examined (100%), the certification of line of credit or funds available by the subrecipient, as required to be included with the proposal were not observed in the subrecipients' file.

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

The guide for the preparation of proposal and request of funds for the Ryan White Part B program for the fiscal year 2011-20112 issued by the PRDH on December 3, 2010 in section I (5) establishes that 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.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-13      ELIGIBILITY SUBRECIPIENT – HIV CFG (CONTINUED)

**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, 2013**

**FINDING NO. 2013-14      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 93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements
CFDA 93.778	Medical Assistance Program
CFDA 93.889	National Bioterrorism Hospital Preparedness Program
CFDA 93.940	HIV Prevention Activities - Health Department Based

**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 61% (\$1,100,823) of the total vouchers related to the acquisition of property and equipment (\$1,790,874) for the program included above. The selected sample per federal program was as follows:

<u>Program</u>	<u>CFDA NO.</u>	<u>Equipment disbursements</u>	<u>Sample dollar amount</u>	<u>Percentage Tested</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 1,008,248	\$ 760,724	75.45%
Public Health Emergency Preparedness	93.069	50,998	-	0.00%
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	37,138	-	0.00%
Medical Assistance Program	93.778	494,750	286,432	57.89%
National Bioterrorism Hospital Preparedness Program	93.889	111,048	29,500	26.57%
HIV Prevention Activities_ Health Department Based	93.940	63,934	24,167	28.79%
Maternal and Child Health Services Block Grant to the States	93.994	4,758	-	0%
		<u>\$ 1,790,874</u>	<u>\$ 1,100,823</u>	<u>61.47%</u>

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-14 PROPERTY AND EQUIPMENT (CONTINUED)

Condition found (continued)

After performing those procedures, we noted the following:

1. In six (6) of the 11 items examined (55%), the property records did not include the custodian information in the property module of the accounting system at the moment of our request for examination. However, information was provided of manual process implemented for such purposes.
2. In two (2) of the 11 items examined (18%), the property serial number was not included in the property records; a dummy number was included in the property module at the moment of our request for examination.
3. In two (2) of the 11 items examined (18%), the property use receipt form was not provided for examination as evidence of the location of the property.
4. In three (3) of the 11 items examined (27%), the property records did not include the custodian information in the property module of the accounting system at the moment of our request for examination. Also, property use receipts, which is an alternate procedure implemented by the PRDH, were not provided for examination.
5. In one (1) of the 11 items examined (9%), we noted that the property number assigned in the property module of the accounting system differed from the property number assigned by the Property Division to such equipment at the moment of our request 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;

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**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-14      PROPERTY AND EQUIPMENT (CONTINUED)**

**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.
- 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 form using the SC795 Form, Fixed Assets Physical Inventory. The form 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.

**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-14      PROPERTY AND EQUIPMENT (CONTINUED)**

**Criteria (continued)**

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

**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, 2013

**FINDING NO. 2013-15      EARMARKING**

**Federal programs**

CFDA 93.069	Public Health Emergency Preparedness
CFDA 93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements
CFDA 93.889	National Bioterrorism Hospital Preparedness Program

**Category**

Compliance / Internal control

**Compliance requirement**

Matching, Level of Effort, Earmarking

**Condition found**

During the performance of the earmarking tests of the Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements for the year ended June 30, 2013, we noted deficiencies in the segregation of the funds for these programs. We noted that the PRDH created two accounts to record the PHEP (H131U90CDC0547) and HPP (H131U90REP0547) transactions. However, the programs accounts in the accounting system were not adequately expanded to record the payroll transactions based on the corresponding programs activities. Amounts expended related to payroll and benefits were registered in a central account (H131U90TP0547) without identifying the program activity related to.

A control is maintained in spreadsheets designed by the programs' personnel. However, such internal controls depend on the efforts made by the Fiscal personnel of the programs 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.

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COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-15 EARMARKING (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, 2013

**FINDING NO. 2013-15      EARMARKING (CONTINUED)**

**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 operating 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 programs.

The PRDH shall train the programs' personnel, including the programs' accountants and other employees in charge of the programs' 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 programs in order to prevent, detect and correct instances when expenditures incurred do not comply with the percentage requirements. Programs 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, 2013

**FINDING NO. 2013-16      MATCHING CONTRIBUTIONS - NBHPP**

**Federal programs**

CFDA 93.889              National Bioterrorism Hospital Preparedness Program

**Category**

Compliance / Internal Control

**Compliance requirement**

Matching, Level of Effort, Earmarking

**Condition found**

During the performance of our tests related to matching requirements under the National Bioterrorism Hospital Preparedness Program for the year ended June 30, 2013, we noted that the PRDH failed to provide sufficient funds for its 10% share of the program.

Cumulative federal expenditures of the grant U3REP090222 as of June 30, 2013, amounted to \$4,654,967. However, state expenditures of the PRDH related to such costs amounted to \$448,186 instead of the required matching of \$465,497 based on the Federal contribution. Accordingly, there was a deficiency of \$17,311 in the state share. Based on the amount contributed by the State, Federal contributions should have been \$4,481,860 instead of the actual contribution of \$4,654,967. The excess of the Federal contribution of \$173,107 has been questioned.

**Criteria**

Federal Register Notice from May 16, 2008 (Volume 73, No 96) and General Term and Conditions number 10 of the Notice of Award establishes that awardees will make available, either directly or through donations from public or private entities non-Federal contributions in an amount equal to five percent of the award amount in FY 2009 and ten percent of the award amount in FY 2010 and each successive year for the duration of the program. Non-Federal contributions would be provided directly or through donations from public or private entities and may be in cash or in kind, fairly evaluated, including plant, equipment or services. Amounts provided by the Federal government, or services assisted or subsidized to any significant extent by the Federal government, would not be included in determining the amount of such non-Federal contributions. The cost sharing requirement would apply to the entire award amount received by the State from the U.S. Department of Health and Human Services through the HPP.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-16      MATCHING CONTRIBUTIONS – NBHPP (CONTINUED)

**Effect**

Noncompliance with the percentage 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 program objectives.

**Questioned costs**

\$173,107      CFDA 93.889      National Bioterrorism Hospital Preparedness Program

**Recommendations**

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. Also, matching contribution shall be assigned in a general ledger account, separate from the other state funds assigned in order to maintain an audit trail of the contributions made for the activities approved by the grantor as matching contributions. This shall ensure that the budget is prepared following the federal guidelines and that those personnel in charge of approving and recording expenditures may prevent or 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.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-17      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, 2013, we noted several deficiencies related to the grant awards 12X13HA00046 and 13X14HA00046 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 H12A00046-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, 2013

FINDING NO. 2013-17      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, 2013**

**FINDING NO. 2013-17      EARMARKING – HIV CFG (CONTINUED)**

**Criteria (continued)**

42 USC 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 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, 2013

FINDING NO. 2013-17      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, 2013

FINDING NO. 2013-18      EARMARKING – HIV PA

**Federal programs**

CFDA 93.940              HIV Prevention Activities

**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 of the program HIV Prevention Activities program and reviewing the special conditions included with the notice of award, we noted that the funds awarded were for two activities identified in the grant award U62PS223454 as HIV Prevention Activities and Perinatal Activities, and in the grant award U62PS003646 as Category A and Category B. During the performance of the earmarking tests for the year ended June 30, 2013, we noted the following deficiencies:

- 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 no matter the type of activity related to.
- b) Budgeted amount for the grant U62PS223454 corresponding to the budget period from January 1, 2011 thru December 31, 2012 (extended period) as per the accounting system was \$4,452,242 which exceed the grant approved amount by \$312,213.

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.

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COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-18 EARMARKING – HIV PA (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, 2013**

**FINDING NO. 2013-18      EARMARKING - HIV PA (CONTINUED)**

**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.

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, 2013

FINDING NO. 2013-19      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, 2013, we noted that the chart of accounts in the financial system is not sufficiently expanded to account for the grant awards 11B04MC21384, 12B04MC23406, and 13B04MC25368 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 programs requirements and regulations.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-19 EARMARKING - MCHSBG (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, 2013

FINDING NO. 2013-19      EARMARKING - MCHSBG (CONTINUED)

**Criteria (continued)**

42 USC 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 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 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 earmarking requirements.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-20 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 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, 2013 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 (\$46,877,803), we examined a sample of transactions that amounted to \$11,943,175 (26.48%). After performing these procedures, we noted that in forty-three (43) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$584,339. Also, we noted that in sixty-three (63) transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$44,975.

**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, 2013

FINDING NO. 2013-20 PERIOD OF AVAILABILITY – WIC (CONTINUED)

Criteria (continued)

7 CFR section 246.17 (a), (b) (2) and (c) 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;
- 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 denied a reimbursement.

**Questioned costs**

\$ 629,314      CFDA 10.557      Special Supplemental Nutrition Program for Women, Infants, and Children

**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:

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DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-20 PERIOD OF AVAILABILITY - WIC (CONTINUED)

**Recommendations (continued)**

- 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.

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DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-21 PERIOD OF AVAILABILITY – 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**

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, 2013 related to the PHEP and NBHPP programs. 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 (\$984,809), we examined a sample of transactions that amounted to \$921,151 (93.54%). After performing these procedures, we noted that in 90 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$342,504. Also, we noted that in 18 transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$15,606.

**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, 2013

FINDING NO. 2013-21 PERIOD OF AVAILABILITY – PHEP AND NBHPP (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**

\$ 1,665	CFDA 93.069	Public Health Emergency Preparedness
<u>356,445</u>	CFDA 93.889	National Bioterrorism Hospital Preparedness Program
<u>\$358,110</u>		

**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;

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DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-21 PERIOD OF AVAILABILITY – PHEP AND NBHPP (CONTINUED)

**Recommendations (continued)**

- 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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-22 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, 2013 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 (\$95,443,034), we examined a sample of transactions that amounted to \$64,513,318 (67.59%). After performing these procedures, we noted that in 106 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$2,485,709. Also, we noted that in 302 transactions the obligation and payment were made after the required allowed period. Such obligations amounted to \$7,086,547.

**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.

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.

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DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-22 PERIOD OF AVAILABILITY - MAP (CONTINUED)

**Criteria (continued)**

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**

\$ 9,572,256 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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-23 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, 2013 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 (\$2,417,507), we examined a sample of transactions that amounted to \$1,229,634 (50.86%). After performing these procedures, we noted that in 6 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such transactions amounted to \$2,144.

**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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-23 PERIOD OF AVAILABILITY – HIV CFG (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**

No costs will be questioned, since likely questioned costs are below \$10,000.

**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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-24 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, 2013 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 (\$4,409,434), we examined a sample of transactions that amounted to \$2,989,843 (67.81%). After performing these procedures, we noted that in forty-two (42) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$192,782. Also, we noted that in thirty-two (32) transactions the obligations and payments were made after the required allowed period. Such obligations amounted to \$77,289.

**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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-24 PERIOD OF AVAILABILITY - MCHSBG (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**

\$ 270,071 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;

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-24 PERIOD OF AVAILABILITY - MCHSBG (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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-25      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 not provide us the account in which the income is registered in the accounting system. Also, the PRDH has no record regarding the deductibles billed and to whom the clinics billed the services 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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-25 PROGRAM INCOME - MCHSBG (CONTINUED)

**Criteria (continued)**

45 CFR 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 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 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.

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DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-26 FINANCIAL REPORTING – 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**

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 annual Federal Financial Reports (FFR-425) for the grants 6U3REP090222-02 and 2U90TP221876-09, 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 report for the grant 2U90TP221876-09 was submitted by PRDH on December 13, 2012, when the report due date was November 10, 2012. The report was submitted 33 days after the report due date.
- ii. For the FFR-425 for the grants 6U3REP090222-02 and 2U90TP221876-09, the recipient share information was not included in the report. The PRDH is required to contribute 10% of the total amount of federal funds expended for each grant.

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-26 FINANCIAL REPORTING -- PHEP AND NBHPP (CONTINUED)

**Criteria (continued)**

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.

**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 completely, 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.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

**FINDING NO. 2013-27      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, 2013. 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>
6/30/2012	7/30/2012	8/3/2012	4 days
9/30/2012	10/30/2012	11/29/2012	30 days

- ii. The FFR-425 quarterly report was submitted after its 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>
9/30/2012	10/30/2012	11/28/2012	29 days

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-27 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 programs 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, 2013**

**FINDING NO. 2013-27      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.

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DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-28 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 B04MC21384 (closeout) and B04MC23406 (annual), and evidence as of their date of submission. However, the FFR-425 report for the grant B04MC23406 was not available for examination. Therefore, we were unable to ascertain if the financial report was complete, accurate, and prepared in accordance with the required accounting basis.

After review of the Federal Financial Report (FFR-425) for the grant B04MC21384, we noted that the report was submitted by the PRDH on September 25, 2013, 269 days after the report due date.

The exception mentioned in the first paragraph was 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.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-28 FINANCIAL REPORTING - MCHSBG (CONTINUED)

**Criteria (continued)**

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.

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.

The terms and conditions of the Notice of Grant Award for grant B04MC21384 related to the reporting requirement establishes that the grantee must submit a Federal Financial Report (FFR) within 90 days after the budget period end date. This report should reflect cumulative reporting within the project period and must be submitted using the Electronic Handbooks.

**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, 2013

FINDING NO. 2013-28 FINANCIAL REPORTING - MCHSBG (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.
- 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, 2013

FINDING NO. 2013-29 FEDERAL FUNDING ACCOUNTABILITY AND  
TRANSPARENCY ACT

**Federal programs**

CFDA 93.917 HIV Care Formula Grants  
CFDA 93.074 Hospital Preparedness Program and Public Health Emergency  
Preparedness Aligned Cooperative Agreements  
CFDA 93.940 HIV Prevention Activities  
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 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, 2013, 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, 2013**

**FINDING NO. 2013-29      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, 2013

FINDING NO. 2013-30      SUBRECIPIENT MONITORING – HIV PA

**Federal programs**

CFDA 93.940              HIV Prevention Activities

**Category**

Compliance / Internal control

**Compliance requirement**

Subrecipient Monitoring

**Condition found**

During the fiscal year ended June 30, 2013, funds totaling \$433,457 were disbursed to 7 subrecipients under the HIV Prevention Activities program. To test compliance with the requirement with subrecipient monitoring, we inquired management and officials of the PRDH to determine if the activities of their subrecipient 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, 2013 in order to obtain reasonable assurance that subrecipients used Federal funds granted for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.

**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:

- 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.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-30 SUBRECIPIENT MONITORING – HIV PA (CONTINUED)

**Criteria (continued)**

- 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.
- 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 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, 2013

FINDING NO. 2013-31      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 exception report for the period from July 1, 2012 to June 30, 2013. We selected a sample of 25 transactions and noted that in 14 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 144 to 554 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, 2013

FINDING NO. 2013-31      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, 2013

**FINDING NO. 2013-32      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, 2013 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, 2013; however, no evidence was provided of the quarterly cost neutrality assessments performed by the PRDH during the fiscal year in accordance within 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:

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COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-32 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, 2013

FINDING NO. 2013-32      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, 2013

FINDING NO. 2013-33      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

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COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

FINDING NO. 2013-33      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><b>FINANCIAL STATEMENT FINDING - ACCOUNTING SYSTEM AND RECORDS</b></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> <ul style="list-style-type: none"> <li>a. No adequate and timely recording procedures were followed in the preparation of the general ledger accounts.</li> <li>b. 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.</li> <li>c. Payroll analysis were performed and accounted for various years after the fiscal period had ended.</li> <li>d. Lack of analysis of accounting records to determine the outstanding</li> </ul>	<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>PARTIALLY CORRECTED</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"> <li>1. Procedures Manual for the Reconciliation between the systems PRIFAS 7.5 y PeopleSoft 8.4 (PS 8.4)</li> <li>2. Procedures/Instructions for the Year-End Closing and Recognition of Outstanding Obligations.</li> <li>3. Office of Federal Affairs Fiscal Procedures.</li> </ol> <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. obligations at the end of the program budget period.</p> <p>The Department was unable to provide us complete evidence of the reconciliations of the accounted in 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"> <li>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 is 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</li> </ol>

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-II-02	Yes 2012-13	Yes 2013-14	2009	<p><b>EQUIPMENT MANAGEMENT</b></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</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 &amp; transfers. 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 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
				inventory and general ledger was 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"> <li>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.</li> <li>2. Perform physical inventory per Asset Management Business Unit. A calendar for the physical inventory activity will be prepared.</li> <li>3. Reconcile the Physical Inventory Reports with the Property and Equipment Subsidiary. Any differences will be adjusted in the GL.</li> <li>4. Reconcile the Property and Equipment Subsidiary with the General Ledger.</li> <li>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</li> </ol>

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><b>ELIGIBILITY OF PARTICIPANTS</b></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"> <li>a. In four cases the identification evidence was not on file.</li> <li>b. In four cases the income evidence was not on file.</li> <li>c. In eleven cases the residence evidence was not on file.</li> <li>d. In five cases the hematological test was not on file.</li> <li>e. One file was not available for our examination.</li> <li>f. In six cases the supporting documents were not on file for the period under audit.</li> </ul>	10.557	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	<p>and Physical Inventory Calendar, among others.</p> <p>Implementation of the Corrective Action Plan, describe above is expected to be completed on or before the end of the fiscal year June 30, 2016.</p> <p>As part of the CAP the following actions will be implemented:</p> <ol style="list-style-type: none"> <li>1. Central office staff (supervisors of the Nutrition Division and Policies and Procedures Division) will be offering retraining on the Policies and Procedures (P&amp;Ps) on Certification and Eligibility (P&amp;Ps 3.01, 3.04, 3.05 and 3.06).</li> <li>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.</li> </ol>
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	TOTAL QUESTIONED COSTS: NONE	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</p>

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				<p>agencies and,</p> <p>(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>submitted a reviewed Program Monitoring Plan 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>Severe! 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>
2011-II-05	No	No	2009	<p><b>SPECIAL TESTS AND PROVISIONS – FOOD INSTRUMENT DISPOSITION</b></p> <p>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</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-II-06	YES 2012-33	YES 2013-31	2009	<p>following:</p> <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><b>SPECIAL TEST AND PROVISIONS – REVIEW OF FOOD INSTRUMENT TO ENFORCE PRICE LIMITATIONS AND DETECT ERROR</b></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	<p>As part of the corrective Action Plan:</p> <p>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.</p> <p>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.</p>
2011-III-07	YES 2012-35 2012-34	YES 2013-32	2006	<p><b>SPECIAL TESTS AND PROVISION – COMPLIANCE INVESTIGATIONS OF HIGH RISK VENDORS</b></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 2005.</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 &amp; 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> <p>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.</p> <p>2. Review vendors' reports to detect areas of concern as well as to identify areas in need of technical assistance</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
2013-III-08	No	No	2009	<p><b>SPECIAL TEST AND PROVISIONS - VENDOR SELECTION</b>  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"> <li>a. In four cases the Municipal Taxes Certifications were expired</li> <li>b. In one case the Penal Record Certificate was expired.</li> <li>c. In three cases the Sanitation Licenses were expired.</li> <li>d. In five cases the Penal record were not on file.</li> <li>e. In two cases the Sanitation Licenses were not in file</li> <li>f. In one case the Municipal Taxes Certification was not on file.</li> <li>g. In five cases the Negative Certification from the Treasury Department were not on file.</li> <li>h. In six cases the Negative Certification from the Labor Department were not on file.</li> <li>i. In five cases the Negative Certification from the CRIM were not on file.</li> <li>j. In seven cases the Negative Certification from the CFSE were not on file.</li> <li>k. In six cases the Negative Certification</li> </ul>	10.557	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	<ul style="list-style-type: none"> <li>3. Proceed to issue timely management decisions to inform vendors on monitoring findings.</li> <li>4. Maintain a system to track and follow-up on reported deficiencies and to ensure that a timely corrective action is taken.</li> </ul>

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>from the ASUME were not on file.</p> <p>In five cases the Treasury Department Certifications were not on file.</p> <p><b>CASH MANAGEMENT</b>  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"> <li>Difference between the requisition of the fund amount and their respective supporting documents.</li> <li>Requisition of fund without their respective supporting documents.</li> <li>A large gap of days between the availability of funds and the disbursements examined.</li> </ol>	84.181	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	
2011-III-10	YES 2012-26	NOT A MAJOR PROGRAM	2011	<p><b>REPORTING SECTION 1512 ARRA REPORTING</b>  During our test of the Section 1512 ARRA Reporting we noted the following:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>	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</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
				indicated when the report was submitted.				be improving the 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.
2011-III-11	NO	NO	2009	<p><b>CASH MANAGEMENT</b></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"> <li>a. Difference between the requisition of the funds amount and their respective supporting documents.</li> <li>b. Requisition of funds without their respective supporting documentation.</li> <li>c. A large gap of days between the availability of funds and the disbursement.</li> </ul>	93.069	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	
2011-III-12	YES 2012-19	YES 2013-21	2009	<p><b>PERIOD OF AVAILABILITY OF FUNDS</b></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 \$1,409,525 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	2009	<p><b>FINANCIAL REPORTING</b></p> <p>During our test of reporting, we found that</p>	93.069	TOTAL	NOT	The Program encountered issues with its delivery tools (either electronically or

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	2013-26	2009	the Financial Status Report (SF-269) for the 2011 grant was submitted 134 days after the deadline.	93.268	QUESTIONED COSTS: NONE	CORRECTED	manually), thus causing a delay. As a Corrective Action Plan we will: 1. Prepare a procedure that includes a table with deadlines and method of delivery for each program.  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.
2011-III-15	NO	NOT A MAJOR PROGRAM	2009	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.  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: 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	NOT A MAJOR PROGRAM	2011	REPORTING SECTION 1512 ARRA	93.712	TOTAL QUESTIONED COSTS: NONE	PARTIALLY CORRECTED	PAC for FY 2012

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2011-III-17	Yes 2012-28	Yes 2013-27	2009	<p>During our test of reporting, we found the following deficiencies:</p> <ul style="list-style-type: none"> <li>a. The Financial Status Report (FSR-269) was submitted 48 days after the deadline.</li> <li>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.</li> </ul>	93.778 93.767	<p>QUESTIONED COSTS: NONE</p> <p>TOTAL QUESTIONED COSTS: NONE</p>	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 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>

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-18	Yes 2012-36	Yes 2012-33	2009	SPECIAL TEST AND PROVISION AUTOMATIC DATA PROCESSING EQUIPMENT AND SERVICES (ADP) RISK ANALYSIS SYSTEM REVIEW 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.	93.778	TOTAL QUESTIONED COSTS: NONE	NOT CORRECTED	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.  The Medicaid Program will procure services to conduct a System Security Review for the Medicaid systems and applications.
2011-III-19	Yes 2012-08	NO	2009	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.	93.889	TOTAL QUESTIONED COSTS: NONE	CORRECTED IN FY 2013	During the fiscal year 2013, procedures were established by the Program to comply with the Cash Management Guidelines.
2011-III-20	Yes 2012-22	Yes 2013-21	2009	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.	93.889	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.

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2011-III-21	NO	NO	2011	<p><b>ELIGIBILITY</b></p> <p>We elected for test sixty participants files to determine the compliance with state and federal regulations regarding eligibility requirements. We noted the following exceptions:</p> <ul style="list-style-type: none"> <li>a. One participant does not qualify.</li> <li>b. Nine participants files does not have evidence of ID.</li> <li>c. Two participant's files did not have evidence of income verification.</li> </ul>	93.917	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	
2011-III-22	NOT A MAJOR PROGRAM	NO	2009	<p><b>CASH MANAGEMENT</b></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>	93.940	TOTAL QUESTIONED COSTS: NONE	FULLY CORRECTED	
2011-III-23	NOT A MAJOR PROGRAM	NO	2009	<p><b>PERIOD OF AVAILABILITY OF FUNDS</b></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</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
2011-III-24	Yes 2012-30	Yes 2013-28	2009	<p>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 examined, four in the amount of \$907,024 were paid after the 90 days period established by the federal regulations.</p> <p><b>FINANCIAL REPORTING</b> 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><b>CASH MANAGEMENT</b> 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><b>PROGRAM INCOME</b> The Maternal and Child Health Services Program earns income from Part C, "Children with Special Health Needs". The income is from deductible payments for medical services provided in the pediatric clinics and the rental of medical equipment. The</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.

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2011-III-27 -	Yes 2012-03	Yes 2013-03	2009	<p>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, 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><b>REPORTING</b> 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>	10.557 84.181 93.069 93.268 93.778 93.767 93.917 93.940 93.889 93.994	<b>TOTAL QUESTIONED COSTS:</b> NONE	<b>NOT CORRECTED</b>	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. 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: 1. The Contract Office has established
2011-III-28	Yes 2012-31	Yes 2013-29	2011	<p><b>REPORTING - FEDERAL FUNDING ACCOUNTABILITY ACT (FATA)</b> The PRDH is not submitting the Federal Funding Accountability and Transparency Act report by the Office of Management and</p>	10.557 84.181 93.069 93.268 93.778	<b>TOTAL QUESTIONED COSTS:</b> NONE	<b>NOT CORRECTED</b>	

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
				Budget.	93.767 93.917 93.940 93.989 93.994			<p>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.</p> <p>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.</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, 2012 TO JUNE 30, 2013**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
<b>ALL FEDERAL FINANCIAL ASSISTANCE PROGRAMS</b>				
2013-01 Disbursement - State Funds	<p>During the year ended June 30, 2013, the PRDH charged expenditures to state programs amounting to \$384,072,262 (excluding \$158,003,218 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 \$29,524,071 (8%). 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"> <li>In one (1) of the twenty (20) disbursement selected (5%), the PRDH failed to provide contract, proposals, RFP evaluation, and other related documents of the voucher 00077189. The cost related to this condition amounted to \$92,456.</li> <li>In six (6) of the twenty (20) disbursement selected (30%), the PRDH failed to provide the procurement file (quotes, bid summary form, and other related documents) of the vouchers: 00047285, 00055613, 00058712, 00068089, 00074510, and 00082157. The cost related to this condition amounted to \$2,217,588.</li> <li>In two (2) of the twenty (20) disbursement selected (10%), only one proposal was available for examination related to the vouchers: 00053283, and 00079686. The cost related to this condition amounted to \$103,984.</li> <li>In one (1) of the twenty (20) disbursement selected (5%), the PRDH did not provide the receiving report for our examination of the voucher 00082157.</li> <li>In one (1) of the twenty (20) disbursement selected (5%), the transaction was allocated to the incorrect cost objective of the voucher 0003210777.</li> <li>In one (1) of the twenty (20) disbursement selected (5%), the PRDH did not provide a cost-benefit assessment that demonstrate the necessity and reasonability of the</li> </ol>	<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 2013-01 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"> <li>Disbursement voucher # 00077189 amounting to \$92,456 – Finding related to on quote. Refer to CAP.</li> <li>Disbursement: Vouchers amounting to \$2,217,588:             <ol style="list-style-type: none"> <li>Voucher # 00047285 – Procurement file is available.</li> <li>Voucher # 00055613 – Procurement file is available in the Purchases Office.</li> <li>Voucher 00058712 - Procurement file is available in the Purchases Office.</li> <li>Voucher # 00068089 - Procurement file is available at the location UDH.</li> <li>Voucher # 00074510 - Procurement file is available in the Purchases Office.</li> <li>Voucher # 00082157 - Procurement file is available.</li> </ol> </li> <li>Disbursement Vouchers #00053283 and #00079686 amounting to \$103,984 – Contract and procurement files were available for</li> </ol>

**PUERTO RICO DEPARTMENT OF HEALTH  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT  
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FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
7.	<p>transaction for the performance and administration of the State activities of the voucher: 0053283.</p> <p>If nineteenth (19) of the twenty (20) disbursement selected (95%), the cancelled checks were not available for examination.</p>			<p>examination. For condition related to only one quote available for examination, refer to CAP for this finding.</p> <p>4. Disbursement voucher # 00082157 – Contract related to supply of prescription medicines to patients as per requested by the Hospital, not related to equipment.</p> <p>5. Disbursement: voucher # 00001210777 – Transaction related to the retention and payment of the social security benefits for certain services by the PRDH. The PRDH made the disbursement, based on instructions given by the Puerto Rico Department of Treasury. The transaction was discussed with the auditors and the PRDH provided supporting documentation.</p> <p>6. Disbursement voucher # 0053283 – Contract file available for examination. For condition related to only one quote available for examination, refer to CAP for this finding.</p> <p>7. 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>
			<p>Full implementation is expected to be completed on or before the end of the fiscal year June 30, 2016.</p>	<p>As part of the CAP to address these conditions, the PRDH will do the following:</p> <p>I. 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</p>

PUERTO RICO DEPARTMENT OF HEALTH  
 CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT  
 AUDIT PERIOD: JULY 1, 2012 TO JUNE 30, 2013

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				<p>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.</p> <p>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.</p>
<p><b>2013-02</b> Accounting Records</p>	<p>During our audit procedures for the fiscal year ended June 30, 2013, we noted the following deficiencies related to the accounting procedures and financial reporting practices of the PRDH:</p> <ul style="list-style-type: none"> <li>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.</li> <li>We noted problems with the accounting software, PeopleSoft 8.4, used by the PRDH. The financial database</li> </ul>	<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 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"> <li>Procedures Manual for the Reconciliation between the systems PRIFAS 7.5 y PeopleSoft 8.4 (PS 8.4)</li> </ol>

ALL FEDERAL FINANCIAL ASSISTANCE PROGRAMS

**PUERTO RICO DEPARTMENT OF HEALTH**  
**CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT**  
**AUDIT PERIOD: JULY 1, 2012 TO JUNE 30, 2013**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 cause delays in the planning process and the beginning of the audit field work.</li> <li>• 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. 2013-15, 2013-17, 2013-18, and 2013-19.</li> <li>• 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, even though 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. 2013-15, 2013-17, 2013-18, and 2013-19.</li> <li>• We noted during the evaluation of the period of availability test that the PRDH accounted payroll transactions after the end of the grant period for various federal programs. Even though the PRDH have adjusted those transactions, the</li> </ul>	<p>2. Procedures/Instructions for the Year-End Closing and Recognition of Outstanding Obligations.</p> <p>3. Office of Federal Affairs Fiscal Procedures.</p> <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 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> <p>1. 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 changes 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</p>			

PUERTO RICO DEPARTMENT OF HEALTH  
 CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT  
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FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
	<p>PRDH have 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 have not established adequate internal controls and procedures to reduce this deficiency.</p> <ul style="list-style-type: none"> <li>• The PRDH should improve the filing procedures, communication and coordination to permit the prompt retrieval of documents requested, as further explained in Findings No. 2013-01, 2013-04, 2013-06, 2013-07, 2013-08, 2013-10, 2013-11, 2013-12, 2013-28 and 2013-32.</li> <li>• We obtained an account receivable listing amounting to \$4,947,315 as of June 30, 2013. Accounts receivable arise from service 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 account 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 account receivable listing provided.</li> </ul>			<p>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:</p> <ol style="list-style-type: none"> <li>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.</li> <li>b) The PRDH will reduce the payroll transaction currently classified as in "error" as part of the interface 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.</li> <li>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.</li> <li>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.</li> </ol> <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 manner.</p> <p>3. The Budget Office will strengthen their procedures related to the creation of accounts or projects for</p>

**PUERTO RICO DEPARTMENT OF HEALTH  
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				<p>federal awards and ensure the inclusion of the correct CFDA number.</p> <p>4. 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.</p> <p>5. 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, 2015.</p>
<b>ALL FEDERAL FINANCIAL ASSISTANCE PROGRAMS</b>				
2013-03 Single Audit Reports	The Single Audit Report for the fiscal year ended June 30, 2012 of the PRDH was submitted after March 31, 2013, 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.	Mr. Fernando Llavona Director of the Office of Federal Affairs 787-765-2929 Ext. 3105/3102  Ms. Antonia de Jesús	Not Corrected, CAP in Progress. Implementation expected to be completed by September 2015.	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 PRDH 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

**PUERTO RICO DEPARTMENT OF HEALTH  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT  
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		Director of the Office of Finance 787-765-2929 Ext. 3291/3292		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 style="text-align: center;"><b>ALL FEDERAL FINANCIAL ASSISTANCE PROGRAMS</b></p> <p><b>2013-04 Personnel Files and Payroll</b></p> <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 57 employees' files from which forty (40) were paid with federal funds and twenty-three (17) were paid with state funds. However, for one (1) of the 57 files selected, the employee file was not available for examination. Our examination of the 56 employees' files provided, revealed that the following documents required by the PRDH were missing:</p> <table border="1" data-bbox="941 1218 1347 1743"> <thead> <tr> <th>Documents Missing</th> <th>Total Files Examined</th> <th>Exceptions Noted</th> <th>% of Exception</th> </tr> </thead> <tbody> <tr> <td>Fidelity Pledge</td> <td>56</td> <td>1</td> <td>2%</td> </tr> <tr> <td>Job Description</td> <td>56</td> <td>4</td> <td>7%</td> </tr> <tr> <td>Resume</td> <td>56</td> <td>1</td> <td>2%</td> </tr> <tr> <td>Cert. of Academic Preparation</td> <td>56</td> <td>7</td> <td>13%</td> </tr> <tr> <td>Birth Certificate</td> <td>56</td> <td>3</td> <td>5%</td> </tr> <tr> <td>Personnel History</td> <td>56</td> <td>1</td> <td>2%</td> </tr> <tr> <td>Assume Form (ASM-S)</td> <td>56</td> <td>19</td> <td>34%</td> </tr> <tr> <td>Employment Eligibility Verification (Form I-9)</td> <td>56</td> <td>2</td> <td>4%</td> </tr> <tr> <td>Salary Change Form</td> <td>56</td> <td>1</td> <td>2%</td> </tr> <tr> <td>Copy of ID</td> <td>56</td> <td>1</td> <td>2%</td> </tr> </tbody> </table>	Documents Missing	Total Files Examined	Exceptions Noted	% of Exception	Fidelity Pledge	56	1	2%	Job Description	56	4	7%	Resume	56	1	2%	Cert. of Academic Preparation	56	7	13%	Birth Certificate	56	3	5%	Personnel History	56	1	2%	Assume Form (ASM-S)	56	19	34%	Employment Eligibility Verification (Form I-9)	56	2	4%	Salary Change Form	56	1	2%	Copy of ID	56	1	2%	<p>Mr. Hermés 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 – Personnel and Human Resources Department 787-765-2929 Ext. 4294</p>	<p>Implementation completed by September 1, 2015.</p> <p>Implementation completed by August 31, 2015.</p> <p>Implementation completed by August 27 to 31, 2015.</p> <p>Implementation completed by September 2, 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"> <li>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.</li> <li>The Division of 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 required documentation is provided by the employee as part of the process and included in the personnel file.</li> <li>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.</li> <li>The Division of Appointments and Changes will provide guidance to new employees of the direct deposit payment system. Also, will provide the</li> </ol>
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CFDA 10.557 CFDA 93.069 CFDA 93.074 CFDA 93.778 CFDA 93.889 CFDA 93.917 CFDA 93.940 CFDA 93.994	<p>SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN</p> <p>PUBLIC HEALTH EMERGENCY PREPAREDNESS</p> <p>HOSPITAL PREPAREDNESS PROGRAM AND PUBLIC HEALTH EMERGENCY PREPAREDNESS ALIGNED COOPERATIVE AGREEMENTS</p> <p>MEDICAL ASSISTANCE PROGRAM</p> <p>NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM</p> <p>HIV CARE FORMULA GRANTS</p> <p>HIV CARE PREVENTION ACTIVITIES – HEALTH DEPARTMENT BASED</p> <p>MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</p>																																						
2013-06 – Disbursement Test - Federal	<p>In testing compliance and internal controls over cost allowability and procurement and suspension and debarment requirements, we selected 135 disbursements from the programs listed above (excluding those related to payroll and fringe benefits expenditures, and assistance payments) that totaled \$41,314,266.</p>	<p>Ms. Antonia de Jesus                  Director of the Office of Finance                  787-765-2929                  Ext. 3291/3292</p>	<p>Implementation completed by September 2, 2013.</p>	<p>Some of the conditions included in finding 2013-06 Disbursements 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</p>																																			

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	<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> <ul style="list-style-type: none"> <li>A. Only one quote available for examination. - 7</li> <li>B. Contract was not available for examination - 3</li> <li>C. Cost-price analysis was not available for examination - 3</li> <li>D. Cost-benefit assessment of the necessity and reasonability of the transaction for the performance and administration of the program were not available for examination. - 5</li> <li>E. Disbursement allocated to an incorrect cost objective. - 24</li> <li>F. Expenditure transaction not properly supported. - 3</li> <li>G. No evidence found of verification of contracted vendors in the Excluded Party List (EPL). - 43</li> </ul> <p>The exceptions mentioned above 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.</p> <p>Total Questioned Costs CFDA 10.557 - \$91,367 Total Questioned Costs CFDA 93.778 - \$2,417,734 Total Questioned Costs CFDA 93.940 - \$68,942 Total Questioned Costs CFDA 93.994 - \$40,000 Total Questioned Costs - \$2,618,013</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 93.065, CFDA 93.074, CFDA 93.778, CFDA 93.889, CFDA 93.917, CFDA 93.940, CFDA 93.994</p> <p>Tel. 787-765-2929</p>	<p>Year ended June 30, 2016.</p>	<p>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"> <li>1. Disbursement voucher amounting to \$91,367 exceptions A &amp; D, for number CFDA 10.557 (WIC) - The program provided the: disbursement voucher, contract amendment D 2011-DS-0729 (original contract # 2011-DS-0729 is included as part of the documentation of voucher # 00028522-year 2012), invoices and related supporting documents. Also, the program has the cost benefit assessment work sheet. Refer to CAP for condition related to only one quote available.</li> <li>2. Disbursement vouchers amounting to \$2,417,734 for CFDA# 93.778:             <ol style="list-style-type: none"> <li>a. Disbursement vouchers 0000669958 amounting to \$423,911 and 0000664320 amounting to \$1,383,546, exception F - Journal entry voucher available for examination at the Accounting Office. Services related to DIAT (PRDH Information Systems Office).</li> <li>b. Disbursement vouchers 000527590 amounting to \$15,832, 00057646 amounting to \$31,424 and 00065943 amounting to \$16,876 exceptions B, C, G --Security Services for the PRDH. Contract was awarded through the General Services Administration (ASG). The services went to public auction and the supplier was included in the ASG award notice to all Agencies.</li> <li>c. Disbursement voucher 00053385 amounting to \$213,890 and voucher 00074395 amounting to \$203,037</li> </ol> </li> </ol>

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	<p>the cancelled checks. However, in 88 of the 92 transactions (96%), 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>exception A – Proposal, original contract and amendments available.</p> <p>d. Disbursement voucher 0064714 amounting to \$40,886 and 00072265 amounting to \$85,192, exceptions A &amp; D– Proposal, original contract and amendments available.</p> <p>3. Disbursement voucher 00081963 amounting to amounting to \$33,641 and 00082004 amounting to \$35271 for CFDA# 93.940 – Professional Services related to Manpower, original contract and amendments available.</p> <p>4. Disbursement voucher 000087221 amounting for \$40,000 exception F, CFDA number 93.994 – Journal entry voucher available for examination at the Accounting Office. Services related to QIAT (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"> <li>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.</li> <li>2. The Office of Purchases and the Finance Office will review the actual Procurement Procedures in order to make the necessary</li> </ol>

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<p>CFDA 10.557                      CFDA 93.069                      CFDA 93.074                      CFDA 93.778                      CFDA 93.889                      CFDA 93.940</p>	<p>SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)                      PUBLIC HEALTH EMERGENCY PREPAREDNESS                      HOSPITAL PREPAREDNESS PROGRAM AND PUBLIC HEALTH EMERGENCY PREPAREDNESS ASSIGNED COOPERATIVE AGREEMENTS                      MEDICAL ASSISTANCE PROGRAM                      NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM                      HIV PREVENTION/ACTIVITIES-HEALTH DEPARTMENT BASED</p>	<p>Mrs. Marie C. Molina - Director of General Services                      787-765-2929                      Ext. 3626</p>	<p>Implementation of the CAP expected to be completed on or before the fiscal year ended June 30, 2015</p>	<p>changes/improvements to comply with the requirement of more than one quote for certain services provided to the PRDH.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>5. Training sessions will be given to the personnel as part of the implementation of procedures.</li> </ol>
<p>2013-14                      Property and Equipment</p>	<p>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 compiled with; b) established controls are effective; and c) to assess control risk. We made a selection of 14 transactions representing 61% (\$1,100,823) of the total vouchers related to the acquisition of property and equipment (\$1,790,874) for the program included above. After performing those procedures, we noted the following:</p>	<p>Mrs. Marie C. Molina - Director of General Services                      787-765-2929                      Ext. 3626</p>	<p>Implementation of the CAP expected to be completed on or before the fiscal year ended June 30, 2015</p>	<p>The PRDOF 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 &amp; transfers.</p>

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<p>1. In six (6) of the 11 items examined (55%), the property records did not include the custodian information in the property module of the accounting system at the moment of our request for examination. However, information was provided of manual process implemented for such purpose.</p> <p>2. In two (2) of the 11 items examined (18%), the property serial number was not included in the property records; a dummy number was included in the property module instead at the moment of our request for examination.</p> <p>3. In two (2) of the 11 items examined (18%), the property use receipt form were not provided for examination as evidence of the location of the property.</p> <p>4. In three (3) of the 11 items examined (27%) the property records did not include the custodian information in the property module of the accounting system at the moment of our request for examination. Also, property use receipts, which is an alternate procedure implemented by the PRDH, were not provided for examination.</p> <p>5. In one (1) of the 11 items examined (9%), we noted that the property number assigned in the property module of the accounting system differ from the property number assigned by the Property Division to such equipment at the moment of our request for examination.</p>	<p>Mrs. Johana Pagan Director of Property 787-765-2929 Ext. 3638</p> <p>Mrs. 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>The PRDH 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 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 PRDH 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>	

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<p>CFDA 93-917  CFDA 93-074  CFDA 93-940  CFDA 93-994</p> <p>2013-29  Federal Funding  Accountability  and  Transparency</p>	<p>HIV CARE FORMULA GRANTS  HOSPITAL PREPAREDNESS PROGRAM AND PUBLIC HEALTH EMERGENCY PREPAREDNESS ALIGNED COOPERATIVE AGREEMENTS  HIV PREVENTION ACTIVITIES  MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</p> <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, 2013, 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> <p>Questioned Costs: None</p>	<p>Mr. Fernando Llavona –Director  Office of Federal Affairs  Tel. 787-765-2929  Ext. 3102</p> <p>Mrs. Sonia Carrasquillo –  Director Office of Contracts</p>		<ol style="list-style-type: none"> <li>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.</li> <li>2. Perform physical inventory per Asset Management Business Unit. A calendar for the physical inventory activity will be prepared.</li> <li>3. Reconcile the Physical Inventory Reports with the Property and Equipment Subsidiary. Any differences will be adjusted in the GL.</li> <li>4. Reconcile the Property and Equipment Subsidiary with the General Ledger.</li> <li>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 and Physical Inventory Calendar, among others.</li> </ol>
			<p>Implementation of the CAP expected to be completed on or before the fiscal year ended June 30, 2016.</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 FATTA, which includes:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>

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		Tel. 787-765-2929 Ext. 4467		documents and/or information that is requested to sub grantees/ contractors. 3. The Contract Office will prepare a calendar and established deadlines to submit the required information/reports to comply with the PATA requirements.
<b>BY PROGRAM</b>				
<b>CFDA 93.767 CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)</b>				
2013-11 Eligibility	Total participants of the Children's Health Insurance Program during the fiscal year ended June 30, 2013, were 146,407. The amount expended under this federal program during such fiscal year was \$150,533,605. 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: 6. In two (2) of the participants' files tested (3%) was not available for examination. 7. In four (4) of the participants' files tested (7%) did not included copy of the head of household identification. 8. In four (4) of the participants' files tested (7%) did not included copy of the social security card. 9. In one (1) of the participants' files tested (2%) did not included evidence of citizenship. 10. In one (1) of the participants' files tested (2%) did not included evidence of residency verification. 11. In one (1) of the participants' files tested (2%) did not included evidence of the participant 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	Mr. Ricardo Colon Facilla - Program Director 787-765-2929 Ext. 6731  Mr. Jose Nieves - Program Manager 787-765-2929 Ext. 6731	Ongoing process -- Implementation started on July 2014. First year review and any required training of procedure review will be scheduled for the last quarter of the year 2015.	Corrective Action Plan as follows: 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. 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: 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. 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. c) The first quarter evaluated was the July-September period, which was evaluated during the months of

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	<p>required documentation or the documentation has been misplaced.</p> <p>Questioned cost: \$5,141</p>			<p>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 enhance 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><b>CFDA 93-778 MEDICAL ASSISTANCE PROGRAM (MEDICAID)</b> 2013-08 Request of Funds</p>	<p>During the fiscal year ended June 30, 2013, the Medical Assistance Program was covered by the Treasury-State Agreement under the Actual Clearance, ZBA ~ ACH. For the sample of 24 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.</p>	<p>Ricardo Colon Padilla – Program Director 787-765-2929 Ext. 5731</p> <p>Jose Nieves – Program Manager</p>	<p>Implemented since July 2012</p>	<p>The PRDH obtained all the documentation and is available for examination. Of the sample of 24 items selected by the auditors, three of the items were not applicable. The days elapsed between the actual payment and the receipts of the reimbursement ranged from 9 to 143 days. Accordingly, the PRDH complied with the cash management requirements.</p> <p>Notwithstanding, on July 2012, the PRDH implemented new procedures to provide reasonable assurance that</p>

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2013-12 Eligibility of Participants	<p>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, 2013.</p> <p>Questioned cost: Could not be determined.</p> <p>Total participants of the Medical Assistance Program (Medicaid; Title XIX) during the fiscal year ended June 30, 2013, were 1,378,504. The amount expended, excluding administrative cost, under this federal program during such fiscal year was \$1,033,535,804. 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"> <li>1. In one (1) of the participants' files tested (2%) was not available for examination.</li> <li>2. In seven (7) of the participants' files tested (12%) did not included copy of participant identity.</li> <li>3. In one (1) of the participants' files tested (2%) did not included copy of the social security card.</li> <li>4. In one (1) of the participants' files tested (1%) did not included evidence of the participant citizenship.</li> <li>5. In four (4) of the participants' files tested (7%) did not included evidence of the participant residence information.</li> <li>6. In two (2) of the participants' files tested (3%) did not included evidence of the participant re-certification.</li> </ol> <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: \$5,998</p>	<p>787-765-2929 Ext. 6731</p> <p>Ricardo Colon Pedilla – 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 the last quarter of the year 2015.</p>	<p>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> <p>Corrective Action Plan as follows:</p> <ol style="list-style-type: none"> <li>a) The Medicaid 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.</li> <li>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:             <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol> </li> <li>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</li> </ol>

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2013-22 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, 2013. 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 106 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$2,485,708. Also, we noted that in 302 transactions the obligation and payment were made after the required allowed period. Such obligations amounted to \$7,086,547.</p> <p>Questioned cost: \$9,572,256</p>	<p>Ricardo Colon Pacilla - Program Director 787-765-2929 Ext. 6731</p> <p>Jose Nieves - Program Manager 787-765-2929 Ext. 6731</p>	<p>Based on the Program's response, this finding does not apply.</p>	<p>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>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 (§§- 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 involve grants and cooperative</p>

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				<p>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 DHS A-133 Compliance Supplement of June 2012 and March 2013 for the Medicaid Cluster (page 4-93.778-11), the Medicaid Assistance Program is also subject to the requirements of 45 CFR part 95.</p> <p>The enabling legislation for the Medicaid 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</p>

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2013-33 ADP Risk Analysis and System Security Review	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).  Questioned cost: None	Ricardo Colon Padilla - Program Director 787-765-2929 Ext. 6731  Jose Nieves - Program Manager 787-765-2929 Ext. 6731  Mr. Richard Santiago CIAT Director 787-765-2929	September 30, 2015	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).  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 PRDOH Information Technology office lead by Mr. Richard Santiago. The assessment will be completed by September 30, 2015.  The Medicaid Program will procure services to conduct a System Security Review for the Medicaid systems and applications
CFDA 93.767 CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP) CFDA 93.778 MEDICAL ASSISTANCE PROGRAM (MEDICAID) 2013-27 Financial Reporting	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	Ricardo Colon Padilla - Program Director 787-765-2929 Ext. 6731 Jose Nieves - Program Manager 787-765-2929	Implemented since August 2014	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

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	<p>during the fiscal year ended June 30, 2013. 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="584 1207 730 1701"> <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>5/30/2012</td> <td>7/30/2012</td> <td>8/3/2012</td> <td>4 days</td> </tr> <tr> <td>9/30/2012</td> <td>10/30/2012</td> <td>11/23/2012</td> <td>30 days</td> </tr> </tbody> </table> <p>ii. The PFR-425 quarterly reports submitted after the due date were as follow:</p> <table border="1" data-bbox="901 1228 1079 1690"> <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>9/30/2012</td> <td>10/30/2012</td> <td>11/28/2012</td> <td>29 days</td> </tr> </tbody> </table>	Quarter end date	Quarterly Report due date	Date submitted	Days elapsed after due date	5/30/2012	7/30/2012	8/3/2012	4 days	9/30/2012	10/30/2012	11/23/2012	30 days	Quarter end date	Quarterly Report due date	Date submitted	Days elapsed after due date	9/30/2012	10/30/2012	11/28/2012	29 days	Ext. 6731		submitted after the required deadline as: preliminary and final reports, request and approval of time extensions.
Quarter end date	Quarterly Report due date	Date submitted	Days elapsed after due date																					
5/30/2012	7/30/2012	8/3/2012	4 days																					
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Quarter end date	Quarterly Report due date	Date submitted	Days elapsed after due date																					
9/30/2012	10/30/2012	11/28/2012	29 days																					
	<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 cost: None</p>																							

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<b>CFDA: 93-940 HIV PREVENTION ACTIVITIES</b>				
2013-13 Earmarking	<p>After obtaining an understanding of the Matching, level of Effort, Earmarking requirement of the program HIV Prevention Activities program and reviewing the special conditions included with the notice of award, we noted that the funds awarded for two activities identify in the grant award U62P5223454 as HIV Prevention Activities and Perinatal Activities, and in the grant award U62P5003646 as Category A and Category B. During the performance of the earmarking tests for the year ended June 30, 2013, we noted that the following deficiencies:</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.</p> <p>b) Budgeted amount for the grant U62P5223454 corresponding to the budget period from January 1, 2011 thru December 31, 2012 (extended period) as per the accounting system was \$4,452,242 which exceed the grant approved amount by \$312,213.</p>	<p>Dra. Trinidad García - Program Director 787-765-2929 Ext. 3610</p> <p>Johanny Velazquez Program Supervisor 787-765-2929 Ext. 3610</p> <p>María Figueroa, Program Accountant 787-765-2929 Ext. 3610</p> <p>Javier Vazquez, Program Accountant 787-765-2929 Ext. 3610</p>	<p>Based on the Program's response, this finding does not apply.</p>	<p>The HIV Program is not in accordance with the FINDING No. 2013-13 of EARMARKING, nor with the recommendations based on the following:</p> <p><u>Deficiency A:</u></p> <ul style="list-style-type: none"> <li>The Chart of Accounts that the Program uses for the accounting of payroll and related expenses is established in all the agencies of the central government by the Treasury Department of PR.</li> <li>The program, in a monthly basis, obtains the payroll registered through GL200 System. The payroll expenses and related cost is reconcile; corrections of these expenses are made by the journal entries that are prepared by the program; and sent to the Finance Central Office for appropriate processed/posting in the system (PS 8.4). In addition to this process, the Program keeps manually in Excel spreadsheet the payroll expense and related costs for the employees reported in both categories (A and B) with the established percentage as set out in the proposed work plan and approved by the federal agency that subsidizes it. Also, a detailed certification of the payroll of both categories (A and B) is prepared; that included the staff salaries and benefits summary that indicates the total employer paid cost of payroll and benefits accompanied by check registered that detailed the employer's cost for that expenses.</li> <li>Both fiscal and administrative staff designated in the preparation of the budget are properly trained in the financial system of the Puerto Rico Department of Health and have also received orientation and</li> </ul>
	<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: Could not be determined.</p>			

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				<p>training directly from their Project Officer and Project Grant Specialist assigned by CDC concerning the federal regulations and the national guides to subsidize the proposal.</p> <ul style="list-style-type: none"> <li>The staff responsible for approvals and the accounting of funds awarded have extensive experience in detecting deficiencies and discrepancies. These were corrected immediately by journal entries pursuant with the quantities and percentages in compliance with the proposed work plan approved by the federal agency that subsidized the proposal. The Program, for being under the process of the Manual Drawdown at that time, is prepared and continues to do the monitoring of expenses incurred monthly through the preparation of reports with evidenced documentation of the same. In it, a detailed analysis of the reported expenses is provided where informative data such as payroll register and/or general journal/ledger entries are supplied along with the Program's certification of the employee time percentage charged to the grant. This includes the Program calculation of payroll tax costs for each employee who has time charged to the grant. This includes the current worker's compensation, unemployment insurance, and FICA/Medicare tax rates.</li> <li>The Office of Finance of the Puerto Rico Department of Health has fiscal policy manuals and procedures to be followed for all disbursements accounting transactions detailing the requirements and responsibilities for fiscal management and accounting of expenditures that comply with the requirements of state and federal regulations. Also, internal controls are established by the Agency and</li> </ul>

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2013-30 Sub Recipients Monitoring	<p>During the fiscal year ended June 30, 2013, funds totaling \$433,457 were disbursed to 7 sub recipients under the HIV Prevention Activities program. 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, 2013 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>Questioned cost: Could not be determined</p>	<p>Dr. Trinidad García – Program Director 787-765-2929 Ext. 3610</p> <p>Johanny Velazquez Program Supervisor 787-765-2929 Ext. 3610</p> <p>Maria Figueroa, Program Accountant 787-765-2929</p>		<p>the Program to carry reliable and transparency accounting.</p> <p>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 2013-02.</p> <p><u>Deficiency B:</u></p> <ul style="list-style-type: none"> <li>Related to this point, the difference of \$312,213.00 belongs to a FY2010 carryover approved in the MOA with the date 01/31/2012, taken to FY2011. The quantity authorized by the CDC was based on what was reported in the in the FSR on 04/29/2011. We have included appropriate documentation to support the approved by the NOA.</li> </ul>
				<p>Program Response: We Concur with this finding for the audited fiscal year ended June 30, 2013.</p> <p>The HIV Prevention Program and the Fiscal and Administrative Affairs Office (FAAO) will revise their procedures and internal controls to ensure that monitoring of the sub recipients under HIV Prevention Activities are up-to-date through reporting, site visits and regular contact. The Program will provide to FAAO with grant documents including award documents and terms and conditions of the award to ensure proper compliance with laws, regulations and conditions of the grant by sub recipients. Supporting documents of progress reports, financial reports, communications, and transmittal of documents will be part of the sub recipients monitoring process.</p>

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		Ext. 3610 Javier Vázquez, Program Accountant 787-755-2929 Ext. 3610		<p>The HIV prevention Program will be responsible for the sub recipients monitoring process.</p> <p>During the fiscal year ending June 2013, we were involved in activities and efforts to monitor the use of funds. Sub recipients sample examined included the following agencies: Municipality of San Juan, Health and Youth Workshop "Casa del Caribe". Below is information related to the monitoring of these contracts is as follows:</p> <ul style="list-style-type: none"> <li>• The contract for the Municipality of San Juan was submitted for registration to the Comptroller Office at August 1, 2013, so that at the end of the audited period had not been active in monitoring this contract.</li> <li>• We perform two meetings in August 2013 with agency staff "Taller Salud" in the facilities of the Department of Health at central level. These meeting were performed to evaluate the monitoring of the fiscal and administrative process of the agency and how to improve it. As result of this analysis, a plan of monthly monitoring through monthly reports, calls and email and as a result the agency fulfilled in the programmatic aspect.</li> <li>• The recruitment process during the late 2013 was one which caused delays in program and fiscal processes on contracted agencies and Prevention Division STD / HIV. Although efforts were made to visit the agency "Casa Joven del Caribe", they did not materialized because the agency agreed not because the Health Department owed several months of payments. However, monitoring is maintained through phone calls and email, as well as to daily monthly reports.</li> </ul>

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			Implementation in process, expected date of November 2015	<p>Corrective Action Plan:</p> <ul style="list-style-type: none"> <li>• We have now started developing quarterly meetings with all agencies contracted to discuss programmatic, fiscal and administrative issues and share updated to the needs identified during the implementation and development of information projects.</li> <li>• It has begun with the scheduling and confirmation of programmatic, administrative and fiscal views as a goal to achieve visit all contracted agencies.</li> <li>• The evaluation of program activities, fiscal and administrative monitoring include tracking through meetings, phone calls and emails.</li> </ul>
	<b>CFDA 93-994 MATERNAL AND CHILD SERVICES BLOCK GRANT TO THE STATES</b>			
<b>2013-09 Cash Management</b>	<p>During the fiscal year ended June 30, 2013, the PRDH requested federal funds not covered by the Treasury-State Agreement for the following programs:</p> <p>Program: Maternal and Child Health Services Block Grant to the States            Transactions tested: 4            Sample dollar \$ 4,370,895</p> <p>For each of the 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"> <li>• In two (2) of the receipt vouchers selected, the PRDH did not reduce the time between the drawdown of Federal funds and its disbursement for an amount of \$1,904,683 of the total funds requested. The \$1,904,683 represented</li> </ul>	<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</p>	<p>Partially Corrected.            Full implementation for the fiscal year ended June 30, 2014 and thereafter.</p>	<p>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.</p>

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2013-19 <b>Matching, Level of Effort, Ear-marking</b>	<p>approximately 54% of the total amount requested. The time elapsed between the settlement date and the disbursements of the amount mentioned were between 5 to 64 days.</p> <p>The exceptions mentioned above are the result of the failure to implement adequate internal control procedures that could allow to maintain an audit trace between the request and the disbursement transactions.</p> <p>Questioned cost: Could not be determined.</p> <p>During the performance of the ear-marking tests of the Maternal and Child Health Services Block Grant to the States program for the year ended June 30, 2013, we noted that the chart of accounts in the financial system is not sufficiently expanded to account for the grant awards 11804MC21384, 12804MC23406, and 13804MC25368 for the following activities:</p> <ul style="list-style-type: none"> <li>a) Amounts claimed for administrative expenditures; and</li> <li>b) Amounts expended on each of the following activities: <ul style="list-style-type: none"> <li>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.</li> </ul> </li> <li>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.</li> </ul> <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>Accountant 787-765-2929 Ext. 4587</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>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>As an internal control measure 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 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>This internal control will be maintain until any modifications are made to the Accounting System</p>

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2013-24 Period of Availability	<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: Could not be determined.</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, 2013. 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 forty-two (42) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$192,782. Also, we noted that in thirty-two (32) transactions the obligations and payments were made after the required allowed period. Such obligations amounted to \$77,289.</p> <p>Questioned cost: \$270,071</p>	<p>Dr. Manuel Vargas Bernal Program Director 787-755-2929 Ext. 4584</p> <p>Dr. Miguel Valencia Program Director 787-755-2929 Ext. 4587</p> <p>Ruth Lopez – Accountant 787-755-2929 Ext. 4584</p> <p>Magaly Cabrera Accountant 787-755-2929 Ext. 4587</p>	<p>Implemented for the fiscal year ended June 30, 2015 and thereafter</p>	<p>(Peoplesoft: 8.5) related of the payroll transactions. Refer to CAP of Finding 2013-02.</p> <p>The following procedures were established in the Program:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <p>Improvement Proposed to be applied from 2015 (CAP):</p> <ul style="list-style-type: none"> <li>• More intense follow up to the supplier for invoices.</li> <li>• Enhance follow up to the areas of the PRDH who intervenes in the PO payments documents like Receiving (Storage and Property Areas)</li> <li>• Cancel purchases not received by November.</li> </ul> <p>In addition for FY ended June 2013 of the 32 transactions with obligations and payments made after the allowable period please notice that those are Professional Services transactions that are indeed obligated by contractual agreement and required to be presented after services were provided. An obligation is for personal services by</p>

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2013-25 Program Income	After obtaining an understanding of the state's policies and procedures and performing our tests of controls, we noted we 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	Dr. Manuel Vargas Bernal Program Director 787-765-2929 Ext. 4584	in Process, since August 1, 2015	<p>an employee of the state or sub grantees, the obligation is made when the services are performed. The Professional Services Contracts with the accounting code E-1291 includes also deposit to the Social Security and working compensation fund, one payment with 3 transactions. Payment with the accounting date of 15-oct-2012 voucher 0001218931 and 0001224379 includes payments of services provided by contract during the allowable period (September 2012) for the Components A &amp; B.</p> <table border="1" data-bbox="768 562 1037 993"> <tr> <td colspan="2"><u>0001218931</u></td> </tr> <tr> <td>E1291</td> <td>\$26,149.20</td> </tr> <tr> <td>E2810</td> <td>\$943.00</td> </tr> <tr> <td>E6410</td> <td>\$2,153.41</td> </tr> <tr> <td>Total</td> <td>\$312,45.61</td> </tr> <tr> <td colspan="2"><u>0001224379</u></td> </tr> <tr> <td>E1291</td> <td>\$3,255.00</td> </tr> <tr> <td>E2810</td> <td>\$109.04</td> </tr> <tr> <td>E6410</td> <td>\$249.01</td> </tr> <tr> <td>Total</td> <td>\$3,613.05</td> </tr> </table> <p>For the other E-1291 transactions change of grant was requested on time to the Finance Office and adjustment to the correct grants were performed in the conciliation process for the FFN.</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>	<u>0001218931</u>		E1291	\$26,149.20	E2810	\$943.00	E6410	\$2,153.41	Total	\$312,45.61	<u>0001224379</u>		E1291	\$3,255.00	E2810	\$109.04	E6410	\$249.01	Total	\$3,613.05
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2013-28 Reporting	<p>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>Questioned cost: Could not be determined.</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>	Implemented for the fiscal year ended June 30, 2014 and thereafter.	By 2014 Access for the Program to the BHB 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>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 B04MC21384 (closeout) and B04MC23406 (annual) and evidence as of date of submission. However, the FFR-425 of the grant B04MC23406 was 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>After review of the Federal Financial Report (FFR-425) of the grant B04MC21384, we noted that report was submitted by the PRDH on September 25, 2013, 269 days after the report due date.</p>	<p>Dr. Manuel Vargas Bernal Program Director</p> <p>Dr. Miguel Valencia Program Director</p> <p>Ruth Lopez - Accountant</p> <p>Magaly Cabrera Accountant</p>		

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	<p>The exception mentioned in the first paragraph was the result of the absence of adequate internal control procedures for the recordkeeping of the federal financial report supporting documentation.</p> <p>Questioned cost: None</p>			
<p><b>CFDA 10.557 SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANT AND CHILDREN (WIC)</b></p> <p><b>2013-05 Indirect Costs</b></p>	<p>To determine compliance with Allowable Cost / Cost Principle, we obtained an understanding of PRDH's policies and procedures for claiming the reimbursement of indirect cost. We obtained the indirect cost proposal submitted to HHS and the Indirect Cost Agreement which stated the approved indirect cost rates which will apply to the fiscal year ended June 30, 2013. We made a selection of 7 transactions representing 68% (\$4,975,510) of the total amount claimed of indirect cost. For the sample selected we requested the supporting documents maintained by the PRDH to support the amount claimed. After performing our audit procedures, we noted the following deficiencies:</p> <ol style="list-style-type: none"> <li>In three (3) of the seven (7) claims for reimbursement examined (43%), we received the calculation worksheet and the adjustment voucher, but the supporting documentation provided included the accumulated expense for the year and not the accumulated expense at the time of the claim. Therefore, the adjustment vouchers were not properly supported. However, we examined the calculation at the ended and the PRDH earned the amount claim, except for the amount reported in comment number 3.</li> <li>In one (1) of the seven (7) claims for reimbursements examined (14%), the rate used to calculate the claims was higher than the approved indirect cost rate.</li> <li>In two (2) of the seven (7) claims for reimbursement examined (29%), after recalculating the amount of indirect cost claimed we noted that the PRDH claimed \$401,496 in excess of the amount of indirect cost earned.</li> </ol>	<p>Sra. Dana Miró Program Director 787-766-2805</p> <p>Sra. Velmarie Martínez Program Accountant 787-766-2803 ext. 5056</p>	<p>Corrected/ Implemented, since the fiscal year 2013 and thereafter.</p>	<p>The questioned costs related to the Indirect Cost finding changes from \$401,496 to \$278,733.23 after having reviewed the reports of closing fiscal year and adjustments accordingly.</p> <p>The CAP for this finding is as follows:</p> <p>The WIC Program is aware that as of July of each year, the agreement between the parties may change the rate of Indirect Cost. Once such rate becomes effective, we proceed to make the corresponding change in report. Our staff is aware of the importance of the change and of the objects used for its calculation.</p> <p>Since FY 2013, our fiscal staff has been checking that the rate of Indirect Cost meets the demand of the signed agreement and established rate.</p>

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2013-07 Request of Funds	<p>The conditions detailed above were caused by inadequate internal controls and procedures to ascertain about the accuracy and completeness of the Indirect cost claims for reimbursement procedures.</p> <p>Questioned cost: \$403,496</p> <p>During the fiscal year ended June 30, 2013, 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 25 disbursement selected (excluding food funds), we requested the fund requests 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. Therefore, we were unable to determine compliance with the cash management requirement for this program.</p> <p>Questioned cost: Could not be determined.</p>	<p>Mrs. Dana Miró Program Director 787-766-2805</p> <p>Mrs. Veimarie Martínez Program Accountant 787-766-2805 ext. 5056</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&amp;P 5.94) was submitted to the Federal Government for review. Such P&amp;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> <p>We consulted the Federal Government during their visit in June of 2013, 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"> <li>1. Update the corresponding procedures.</li> <li>2. Provide training to staff on such updated procedures.</li> <li>3. Establish internal controls regarding the necessary supporting documentation.</li> </ol>

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2013-10 Eligibility of Participants	<p>Total participants of the Special Supplemental Nutrition Program for Women, Infants, and Children Program during the fiscal year ended June 30, 2013, were 276,963. The amount expended under this federal program during such fiscal year was \$219,641,674. 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"> <li>Four (4) of the participants' files tested (7%), were not available for examination.</li> <li>For one (1) of the participants' files tested (2%), the information included in the file provided belonged to the year 2008, information related to year under audit was not available for examination.</li> <li>One (1) of the participants' files tested (2%), did not include copy of the participant's identity.</li> <li>One (1) of the participants' files tested (2%), did not include copy of income evidence.</li> <li>Two (2) of the participants' files tested (3%), did not include copy of residence evidence.</li> <li>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.</li> <li>For one (1) of the participants' files tested (2%), did not include evidence of the hematological test.</li> </ol> <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: \$3,955</p>	<p>Mrs. Dana Miró                      Program Director                      787-766-2805</p> <p>Mrs. Veimarie Márquez                      Program Accountant                      787-766-2805</p>	<p>In process, expected to be completed between the first and second quarter of FY2016</p>	<p>As part of the CAP to conditions 1, 2, 3, 4, 5, 6 and 7 of the finding 2013-10, the following actions will be implemented:</p> <ol style="list-style-type: none"> <li>Central office staff (supervisors of the Nutrition Division and Policies and Procedures Division) will be offering retraining on the Policies and Procedures (P&amp;Ps) on Certification and Eligibility (P&amp;Ps 3.01, 3.04, 3.05 and 3.06).</li> <li>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.</li> </ol> <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>
2013-20 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</p>	<p>Sra. Dana Miró                      Program Director</p>	<p>Corrected/implemented since the FY ended June 30, 2013.</p>	<p>The Program considers that amount of question costs should be \$591,832.94 because such amount includes</p>

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2013-31 Special Tests and Provisions - Review of Food Instruments	<p>expiring during the fiscal year ended June 30, 2013. 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-three (43) transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$584,339. Also, we noted that in sixty-three (63) transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$44,975.</p> <p>Questioned cost: \$629,314</p> <p>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, 2012 to June 30, 2013. We selected a sample of 25 transactions and noted that in 14 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 144 to 554 days.</p> <p>Questioned cost: could not be determined</p>	787-766-2805 Sra. Velmarie Martinez Program Accountant 787-766-2805	In process, expected to be completed during the FY 2016	<p>payroll adjustments that were previously eliminated (See attachment).</p> <p>The CAP for this finding is as follows:</p> <p>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.</p> <p>As part of the corrective Action Plan:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
2013-32 Special Tests and Provisions - Authorization of Above 50 Percent Vendors	<p>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, 2013, we performed the following:</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,</p>	Mrs. Dana Miró Program Director 787-766-2805 Mrs. Velmarie Martinez Program Accountant 787-766-2805 ext. 5056 Sra. Dana Miró Program Director 787-766-2805 Sra. Velmarie Martinez Program Accountant 787-766-2805 ext. 5056	Corrected/Implemented, since March of 2014.	<p>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 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, including the reports to be used to monitor cost</p>

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	<p>2013, 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>Questioned cost: None</p>			<p>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.</p> <p>The cost neutrality assessments have been carried out since March of 2014.</p>
<p><b>CFDA 93.069 PUBLIC HEALTH EMERGENCY PREPAREDNESS</b> <b>CFDA 93.889 NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM</b> <b>2013-21</b> <b>Period of Availability</b></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, 2013. 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 90 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$342,584. Also, we noted that in 18 transactions the obligations and payments were made after the required allowed period. Such transactions amounted to \$15,806.</p> <p>Questioned cost: \$1,665 CFDA Public Health: Emergency Preparedness. \$355,445 CFDA National Bioterrorism: Hospital Preparedness Program \$958,110</p>	<p>Ms. Jessica Cabrera Program Director 787-771-0600 787-765-2929</p> <p>Ms. Wanda Catala Program Accountant 787-771-0600 787-765-2929</p>		<p>Finding not accepted:</p> <p>Payroll payments that didn't corresponded to the period or account were adjusted afterwards, while the payroll was being reconciled to prepare final FFRs.</p> <p>Adjustments were being performed but were not being registered within People Soft 8.4. When expenses are registered on PS 8.4, there is an interphase with PRIFAS 7.5. This is why the adjustment is not reflected in the system on the same period during which it is being performed.</p> <p>Furthermore, expenses recorded in error are adjusted and charged to the corresponding account.</p> <p>Payments to suppliers contemplated in the query: the Program holds evidence that #00060353 and #00060373 were performed within the account's approved term. (This might be an error on the query submitted to the auditor).</p>

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2013-26 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 annual Federal Financial Report (FFR-425) for the grants 6U3RFP090222-02, and 2U9ETP221876-09 and evidence as of date of submission. After review of the Federal Financial Report (FFR-425) of those grants we noted the following:</p> <ul style="list-style-type: none"> <li>i. In the FFR-425 of the grant 2U90TP221876-09 the report was submitted by PRDH on December 13, 2012, report due date was November 13, 2012. Report was submitted 33 days after the report due date.</li> <li>ii. In the FFR-425 of the grants 6U3RFP090222-02, and 2U90TP221876-09, the recipient share information was not included in the report. The PRDH is required to contribute</li> </ul>	<p>Ms. Jessica Cabrera                      Program Director                      787-771-0600                      787-765-2925</p> <p>Ms. Wanda Catala                      Program Accountant                      787-771-0600                      787-765-2925</p>	<p>Implementation of the CAP is expected to be completed on or before PY 2016.</p>	<p>Regarding vouchers #00046643 and #00061193: These two correspond to voucher #00032437, because this last one was cancelled and reissued.</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 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>
			<p>Finding accepted:                      The Program encountered issues with its delivery tools (either electronically or manually), thus causing a delay.</p> <p>Finding accepted:                      This in regards to the Matching.</p> <p>As a Corrective Action Plan we will:</p> <ul style="list-style-type: none"> <li>i. For deficiency i - Prepare a procedure that includes a table with deadlines and method of delivery for each program.</li> <li>ii. For deficiency ii - Information contained within the finding will be included in the next FFR realized.</li> </ul>	

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	<p>10% of the total amount of federal funds expended for each grant.</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>Questioned cost: None</p>			
<p>CFDA 93-069 PUBLIC HEALTH EMERGENCY PREPAREDNESS                  CFDA 93-074 HOSPITAL PREPAREDNESS PROGRAM (HPP) AND PUBLIC HEALTH EMERGENCY PREPAREDNESS (PHEP) ALIGNED COOPERATIVE AGREEMENTS                  CFDA 93-889 NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM                  2013-15                  Matching                  Level of Effort                  Earmarking</p>	<p>During the performance of the earmarking tests of the Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements for the year ended June 30, 2013, we noted deficiencies in the segregation of the funds for these programs. We noted that the PRDH created two accounts to record the PHEP (H131U9DCDC0547) and HPP (H131U90REPOS47) transactions, respectively. However, 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 (H131U90TP0547) even though the program activity related to it.</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</p>	<p>Ms. Jessica Cabrera                  Program Director                  787-771-0600                  787-765-2929</p> <p>Ms. Wanda Catala                  Program Accountant                  787-771-0600                  787-765-2929</p>		<p>Finding not accepted:</p> <p>PRDH's Payroll Accounting System doesn't not allow the separation of payroll expense per Program because payroll accounts are created per grant number (CDC and ASPR assign one number for both awards per SIP).</p> <p>When reconciling the payroll expense each month with the list of personnel who will be paid through the federal program account number (GL200), our program's Finance Division filters the program's personnel and separates the expense per federal program (i.e., PHEP and HPP), following the budget submitted on the application and approved by both the CDC and ASPA. With this process, the expenditure per program is certified and validated.</p> <p>Furthermore, expenses recorded in error are adjusted and charged to the corresponding account.</p> <p>Expenditures under both PHEP and HPP programs are the only expenses that the Finance Division of the Office of Public Health Preparedness and Response acknowledges and contemplates on its FFRs, following the budget</p>

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	<p>have been made in accordance with programs requirements and regulations.</p> <p>Questioned cost: Could not be determined</p>		<p>Implemented as of January 1st, 2012</p>	<p>submitted on the application and approved by both the CDC and ASPR.</p> <p>As a Corrective Action Plan we are going to reconcile monthly payroll costs to segregate federal program expenses, detect any expenses accounting errors and maintain internal controls.</p> <p>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 2013-02.</p>
<p><b>CFDA 93-889 NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM</b></p>				
<p>2013-16                      Matching Contributions</p>	<p>During the performance of our tests related to matching requirements under the National Bioterrorism Hospital Preparedness Program for the year ended June 30, 2013, we noted that the PRDH failed to provide funds for its 10% share of program.</p> <p>Total federal expenditures of the program during the year ended June 30, 2013, amounted to \$4,654,967. However, state expenditures of the PRDH related to such costs amounted to \$448,186 instead of the required matching of \$465,497 based on the Federal contribution. Accordingly, there was a deficiency of \$17,311 in the state share. Based on the amount contributed by the State, Federal contributions should have been \$4,481,860 instead of the actual contribution of \$4,654,967. The excess of the Federal contribution of \$173,107 has been questioned.</p> <p>Questioned cost: \$173,107</p>	<p>Ms. Jessica Cabrera                      Program Director                      787-771-0600                      787-765-2929</p> <p>Ms. Wanda Catala                      Program Accountant                      787-771-0600                      787-765-2929</p>	<p>Partially implemented for matching.</p> <p>CAP expected to be implemented on or before the end of the FY 2016.</p>	<p>Finding accepted:                      The FFR prepared for this account was a Preliminary FFR because funds granted as advanced payments had not been liquidated to that date.</p> <p>As a Corrective Action Plan the Program will:</p> <ol style="list-style-type: none"> <li>1. Prepared a Final FFR to determine whether if the finding prevails.</li> <li>2. A procedure will be developed to monitor expenses from matching.</li> </ol>

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<b>CFDA 93.917 HIV CARE FORMULA GRANTS</b>				
<b>2013-15</b> 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 8 sub recipients for which their proposal were approved during the fiscal year ended June 30, 2013. After performing the eligibility test, we noted that 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.</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. Alexia Lugo, HIV Complementary Services Coordinator Ext. 5105</p> <p>Ms. Yajaira Alvarado 787-765-2929 Xt. 5101</p>	<p>CAP will be implemented on or before the end of the fiscal year June 30, 2016.</p>	<p>At the time that the auditors requested records, certificates of availability of funds for \$ 15,000 of the contracted coordinator's agencies/sub recipients were not filed in the correct file/records. 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>
<b>2013-17</b> 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, 2013, we noted that the deficiencies for the grant awards 12X13HA00046, and 13X14HA00046 for the following activities:</p> <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>Dra. Norma Delgado Program Director 787-765-2929 5101</p> <p>Mr. Alexia Lugo, HIV Complementary Services Coordinator Ext. 5105</p> <p>Ms. Yajaira Alvarado 787-765-2929</p>	<p>Based on the above explanation and information, we do not accept the Earmarking 2013-17 and request its elimination from the report.</p>	<p>Finding 2013-17 A, B &amp; C: Finding not accepted.</p> <p>We suggest for removal of finding number 2013-17 Earmarking, since the Ryan White Program fully complies with the requirements and conditions set by the federal government for the administration of federal funds 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 RHUM 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</p>

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	<p>c) Amount claimed as administration, planning, and evaluation in the account H12A00046-ADMIN did not account for 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: Could not be determined.</p>	<p>XL5:01</p>		<p>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 45 of the Puerto Rico Treasury Department. Accounts are created in the PeopleSoft 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 Sánchez on May 1<sup>st</sup>, 2015.</p> <p>We included the costs and corresponding percentages based and in compliance of the categories of:</p>

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				<p><i>Administration, Quality, Planning &amp; Evaluation of the FY 2010 and FY 2011 Ryan White Part B.</i> These expenses are reflected 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> <table border="0"> <tr> <td colspan="2"><b>FY 2010</b></td> </tr> <tr> <td><u>Category</u></td> <td><u>Amount</u>      <u>%</u></td> </tr> <tr> <td>Administration</td> <td>\$2,322,151.12    7.2%</td> </tr> <tr> <td>Quality</td> <td>176,209.39      .5%</td> </tr> <tr> <td>Plan and Eval.</td> <td>94,379.45       .3%</td> </tr> <tr> <td></td> <td><u>\$2,592,739.97    8.0%</u></td> </tr> <tr> <td colspan="2"><b>FY 2011</b></td> </tr> <tr> <td><u>Category</u></td> <td><u>Amount</u>      <u>%</u></td> </tr> <tr> <td>Administration</td> <td>\$2,180,779.69    7.0%</td> </tr> <tr> <td>Quality</td> <td>361,026.64      1.02%</td> </tr> <tr> <td>Plan and Eval</td> <td>85,432.01       .3%</td> </tr> <tr> <td></td> <td><u>\$2,627,238.34    8.4%</u></td> </tr> </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.</p> <p>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 2032-17 and request its elimination from the report. The program takes an</p>	<b>FY 2010</b>		<u>Category</u>	<u>Amount</u> <u>%</u>	Administration	\$2,322,151.12    7.2%	Quality	176,209.39      .5%	Plan and Eval.	94,379.45       .3%		<u>\$2,592,739.97    8.0%</u>	<b>FY 2011</b>		<u>Category</u>	<u>Amount</u> <u>%</u>	Administration	\$2,180,779.69    7.0%	Quality	361,026.64      1.02%	Plan and Eval	85,432.01       .3%		<u>\$2,627,238.34    8.4%</u>
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<b>FY 2011</b>																												
<u>Category</u>	<u>Amount</u> <u>%</u>																											
Administration	\$2,180,779.69    7.0%																											
Quality	361,026.64      1.02%																											
Plan and Eval	85,432.01       .3%																											
	<u>\$2,627,238.34    8.4%</u>																											

**PUERTO RICO DEPARTMENT OF HEALTH  
CORRECTIVE ACTION PLAN FOR SINGLE AUDIT REPORT  
AUDIT PERIOD: JULY 1, 2012 TO JUNE 30, 2013**

FINDING NUMBER AND TOPIC REFERENCE	FINDING/CONDITION	RESPONSIBLE FOR IMPLEMENTATION	DUE DATE/STATUS	CORRECTIVE ACTION PLAN
2013-23 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, 2013. 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 6 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such transactions amounted to \$2,144.</p> <p>Questioned cost: Could not be determined.</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 Álvarez 787-765-2929 Xt-5101</p>	<p>Corrective Action Plan implemented since FY 2013.</p>	<p>appropriate and efficient fiscal control that allows us to tracking of revenue and expenditure of 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 1<sup>st</sup> to 6, 2013.</p> <p>The finding refers to 6 transactions of obligations and payments for payroll. All payroll expense, related costs related 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 in a timely manner; therefore, and payroll payments are being charged in accounts of previous years.</p> <p>As a corrective measure, the program identifies any incorrect charge and makes corresponding corrections/adjustments of expenses to charge the transactions/payments to the correct account. The Program made adjustments amounting to \$2,144 as a correction for payments made after the allowable period and in compliance with the federal requirement.</p>