

PART III

FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported

Type of auditors' report issued on compliance for Major Programs:

Unqualified Opinion Qualified Opinion
 Adverse Opinion Disclaimer Opinion

Any audit finding disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-133?

Yes No

Identification of Major Programs:

CFDA NUMBER	NAME OF FEDERAL PROGRAM OR CLUSTER
66.001	Air Pollution Control Program Support
66.458	State Revolving Fund Capitalization Grant (Cluster)
66.458	ARRA – State Revolving Fund Capitalization Grant (Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs:

\$3,000,000

Auditee qualified as low-risk auditee?

Yes No

continue

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING REFERENCE NUMBER	2010-II-01 (See FINDING REFERENCE NUMBER 2010-III-01)
TYPE OF FINDING	REPORTING PACKAGE OF SINGLE AUDIT
CRITERIA	OMB Circular A-133, Subpart C, Section .320 (a), (c), state all the audit shall be completed and the Data Collection Form and Reporting Package shall be submitted to the Federal Audit Clearinghouse designated by OMB within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.
CONDITION	The EQB did not submit the Data Collection Form and Reporting Package to the Federal Audit Clearinghouse of fiscal year ending June 30, 2010 during the required period.

continue

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING REFERENCE NUMBER	2010-III-01
FEDERAL PROGRAM	AIR POLLUTION CONTROL PROGRAM SUPPORT (CFDA NO. 66.001) U.S. ENVIRONMENTAL PROTECTION AGENCY
AWARD NUMBER	A-00207873-O AND A00207872-0
FEDERAL PROGRAM	STATE REVOLVING FUND CAPITALIZATION GRANT (CFDA NO. 66.458) INCLUDING AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS U.S. ENVIRONMENTAL PROTECTION AGENCY
AWARD NUMBER	C6-72000199-0 AND 2W-72000209-2 (ARRA FUNDS)
COMPLIANCE REQUIREMENT	REPORTING
TYPE OF FINDING	MATERIAL NONCOMPLIANCE AND MATERIAL WEAKNESS
CRITERIA	OMB Circular A-133, Subpart C, Section .320 (a), (c), state all the audit shall be completed and the Data Collection Form and Reporting Package shall be submitted to the Federal Audit Clearinghouse designated by OMB within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.
CONDITION	The EQB did not submit the Data Collection Form and Reporting Package to the Federal Audit Clearinghouse of fiscal year ending June 30, 2010 during the required period.
QUESTIONED COSTS	None noted.
CAUSE	During this fiscal year, they were working with the implementation of the FiMaS accounting system. Also, EQB had to lay off a significant amount of employees due to the implementation of Law #7 ("Ley Especial Declarando Estado de Emergencia Fiscal y Estableciendo Plan Integral de Estabilización Fiscal para Salvar el Crédito de Puerto Rico") established on March 9, 2009 and the Law #70 ("Ley del Programa de Incentivos, Retiro y Readiestramiento") established on July 2, 2010. These processes delayed the availability of the information necessary to be included in the Financial Statement and Schedule of Expenditures of Federal Awards.
INFORMATION TO PROVIDE PROPER PERSPECTIVE	The delay in the implementation process of the FiMaS accounting system has maintained a constant reconciliation process between EQB and the Puerto Rico Treasury Department; therefore, this is a systemic deficiency.
EFFECT OR POTENTIAL EFFECT	These conditions limited the EQB to have reasonable assurance regarding the achievement of the internal control objective of reliable financial reporting to be submitted to audit procedures, and to determine the programs to be included in the Schedule of Expenditures of Federal Awards.
RECOMMENDATION	We recommend EQB to maintain accurate accounting records in order to comply with the provisions of the Single Audit Act.

continue

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING REFERENCE NUMBER 2010-III-01 – continuation

RESPONSIBLE OFFICIAL'S
RESPONSE AND CORRECTIVE
ACTION PLANNED

Puerto Rico Environmental Quality Board (PREQB) implemented a new accounting system (FiMaS) to report the results of the transactions to the Puerto Rico Department of Treasury (PRDT). On March 2, 2011 EPA accepted the submission of the Software Validation Summary for FiMaS Project prepared by Nexvel Consulting, LLC. This implementation will help EQB to address the CAP established by EPA in 2001.

These factors will help PREQB to maintain accurate accounting records in order to comply with the provisions records in order to comply with the provisions of the Single Audit Act. PREQB will submit the single audit for the fiscal year 2009-2010 on December 2011 in order to comply with the provisions established in the Single Audit Act.

IMPLEMENTATION DATE

December 2011

RESPONSIBLE PERSON

Ms. Quebec Morro

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING REFERENCE NUMBER	2010-III-02
FEDERAL PROGRAM	ARRA – STATE REVOLVING FUND CAPITALIZATION GRANT (CFDA NO. 66.458) U.S. ENVIRONMENTAL PROTECTION AGENCY
AWARD NUMBER	2W-72000209-2 (ARRA FUNDS)
COMPLIANCE REQUIREMENT	ALLOWABLE COST/COST PRINCIPLE
TYPE OF FINDING	SIGNIFICANT DEFICIENCY
COMPLIANCE REQUIREMENT	ALLOWABLE COST/COST PRINCIPLE
CRITERIA	According to the State Revolving Fund Capitalization Grant awarded through the American Recovery and Reinvestment Act (ARRA), Grant Agreement 2W-7200209-0, between the US Environmental Protection Agency (EPA) and the Environmental Quality Board of Puerto Rico (EQB), programmatic condition No. 25 Payment to Consultants, establish the following: The EPA participation in the salary rate (excluding overhead) paid to individual consultants retained by recipients or by a recipient's contractors or subcontractors shall be limited to the maximum daily rate for a Level IV of the Executive Schedule (formerly GS-18) to be adjusted annually. This limit applies to consultation services of designated individuals with specialized skill who are paid at a daily or hourly rate. As of January 1, 2009, the limit is \$587.20 per day and \$73.40 per hour.
CONDITION	The rate of \$125 per hour instead of \$73.40 was stated in the agreement established between EQB and the Geologist Dr. Agamemnon Gus Pantel for services rendered in representation of Pantel del Cueto & Associates.
QUESTIONED COSTS	None noted
CAUSE	We noted the invoices #PDC-01-10-09-JCA, PDC-01-11-09-JCA and PDC-01-12-09 issued by the Geologist Dr. Agamemnon Gus Pantel for the months of October, November and December 2009, respectively, issued for the hourly rate of \$125 and amounting to \$7,437.50, as part of the request #3.
INFORMATION TO PROVIDE PROPER PERSPECTIVE	Although these invoices were paid using the incorrect rate of \$125, the EQB's management fixed the situation in the next invoices paid included as part of request #4, by using the correct rate of \$73.40 and making the proper discount in such payments. The total amount paid for these invoices was \$1,297.10 for a total amount adjusted of \$6,140.40.
EFFECT OR POSSIBLE EFFECT	EQB would be incurring in a noncompliance acts related to the payment to consultant as established in the ARRA Grant Agreement before mentioned.
RECOMMENDATION	We recommend to the management to development and implementation of a specific internal control related to the payment to consultants. This control would be mitigating any risk involve in noncompliance related to the consultant's contracts establishment.

continue

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING REFERENCE NUMBER 2010-III-02 – continuation

RESPONSIBLE OFFICIAL'S
RESPONSE AND CORRECTIVE
ACTION PLANNED

The contract execution and the registration for professional services are documented in a Standard Operations Procedure (SOP) developed by the EQB Legal Affairs Office (Contracts Execution & Registration Procedure). Such document also is included as Appendix E to the EQB Guidelines for Managing ARRA Grants and includes the details of EQB's contracting process for professional services.

Actually PREQB is reviewing that document to include not only the regulations of the Puerto Rico Department of Treasury also the federal regulations. EQB Legal Affairs Office will be submitting the revised procedures by February 2012.

In addition, the EQB Finance Division will review the SOP Accounts Payable Procedure for before issuing any payment contracts to be borne partly or wholly from federal fund must be verified the administrative conditions of the Cooperative Agreements. EQB Finance Division will be submitting the revised procedures by February 2012.

IMPLEMENTATION DATE February 2012

RESPONSIBLE PERSONS Mr. Aníbal Hernández Vega & Ms. Quebec Morro

END OF SCHEDULE

(1) Audit Findings that have been Fully Corrected:

NONE

(2) Audit Findings not Corrected or Partially Corrected:

FISCAL YEAR 2008-2009

Finding Number 2009-III-01 **Reporting**
The EQB did not complete the single audit for the Fiscal Year 2008-2009 during the period established by the Single Audit Act Amendments of 1996.

CFDA Numbers ALL

Questioned Cost None

Auditee Comments The US Environmental Protection Agency, the cognizant agency, hasn't issued the final determination.

Finding Number 2009-III-02 **Reporting**
The Financial Status Report for the two programs were not submitted on time to the EPA.

CFDA Numbers 66.001
66.605

Questioned Cost None

Auditee Comments The US Environmental Protection Agency, the cognizant agency hasn't issued the final determination.

(3) Corrective action taken is significantly different from corrective action previously reported:

NONE

(4) Audit findings is no longer valid:

NONE

END OF SCHEDULE