HON. MIGUEL ROMERO
SECRETARIO

DEPARMENT OF LABOR AND HUMAN RESORCES
CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2008

FINDING NUMBER	FINDING OR CONDITION	CFDA NUMBER	QUESTIONED COST	RECOMMENDATION	MANAGEMENT CORRECTIVE ACTION PLAN	STATUS	ANTICIPATED COMPLETION DATE	RESPONSIBLE OFFICER	PHONE CONTACT NUMBER
08-01	*Accounting System* During the audit of the financial statements for the fiscal year ended on June 30, 2008, we noted that accounting records are primarily designed for the recording of revenues, expenditures, and other transactions on a cash basis of accounting. The accounting systems does not provide for periodic recording of transactions under the accrual basis of accounting Also, we noted the following deficiencies:		None	The Department should evaluate the policies and procedures used by the accounting department in order to evaluate what changes are needed to improve all the deficiencies mentioned in this report. Among the things to be considered to prepare a corrective action plan are the following:					
	a. No adequate and timely recording procedures were performed to general ledger accounts. The general ledgers provided for audit purposes, does not included the audit adjustments for the years 2003, 2004, 2005, 2006 and 2007. Instead, client prepared a working paper considering all audit adjustments performed during such periods in order to obtain a working trial balance for purpose of this audit			a. Increase supervision to all the accounting personnel assigned to each fund maintained by the Department.	a. Recruiting of two Accounting Supervisors is in process The period for candidates to submit resumes has been closed and the Human Resources Office is currently evaluating the resumes to determine which candidates qualify for the position to be later interviewed, selected and offered the job. Once appointed, this will increase the supervision and thus allow for adequate and timely recording general ledger accounts' transactions.	*In-process*	*January 2011*	*Magda C. Rodriguez* *Finance Director* *Rina Crespo Rodriguez* *Assistant Secretary* *Human Resources*	*754-5215* *754-5865*

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HON. MIGUEL ROMERO
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DEPARMENT OF LABOR AND HUMAN RESORCES
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08-01 Continued	b. Converting cash-based financial statements to modified accrual-basis and to full accrual-basis financial statements requires a significant effort to the Department and adjusting entries had to be posted in order to account for unrecorded transactions, or to correct transactions accounted for in the wrong accounting period		None	b. Revise systems and establish internal controls as needed, which will help assure the assets are properly safeguarded and that effective and efficient systems for processing of transactions are in operation.	b. As part of standardizing and centralizing the accounting function, the PRDOL is in the process of completing Accounting & Procedures Manual (APM) For this process, the Finance Department consulted and obtained approval of the APM from each supervisor of the following sections: a. Purchasing b. Property Plant & Equipment c. Budget & Requisition d. Accounts Payables (Voucher Processing) e. Accounting & Voucher Payment f. Contract Administration g. Professional Services Contract h. Non Professional Services Each of the sections mentioned above included in the APM contains guidance of the work realized in each area, the flow of the information including internal controls, required forms, and the process of recording such information in the MUNIS accounting systems.	In-process	December 2010	Osvaldo Guzmán López Assistant Secretary Management Affairs Magda C. Rodríguez Finance Director	754-5897 754-5215

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08-01 Continued	c. Interfund transactions have not been properly recorded and reconciled in the accounting records during the year			c. Implement in the Department of Unemployment and Drives a Computerized accounting system (double entry) and provide appropriate maintenance to it in order to obtain proper recording, summarization and interpretation of accounting transactions.	c. The PRDOL is working with the integration of the Drivers and Unemployment programs in the MUNIS accounting system effective for the fiscal year 2011 The chart of accounts for such funds was created in MUNIS accounting system. However, training of employees is pending, so that transactions start to be recorded in the corresponding accounts by fund.	In Process	June 2011	Osvaldo Guzmán López Assistant Secretary Management Affairs Efrain Figueroa Díaz Assistant Secretary Employee Benefits	754-5897 754-2142
	d. During the evaluation and understanding of the accounting environment, we noted that the Department has not established a double entry accounting system to properly account for the results of the following proprietary funds: - Unemployment Insurance - Driver's Insurance Currently, the accounting method used for these funds consisted in a manual system to record transactions which does not provide effective control over financial reporting.			d. Include into the responsibilities of the Finance Director the supervision of the three proprietary funds (Unemployment Insurance, Non occupational Disabilities and Driver's Insurance.)	d. An Administrative Order will be issued for the Unemployment, Disability and Driver's Insurance programs' accounting personnel to prepare and issue monthly reports for the review of the Finance Director and/or Supervisor, as part of the monthly closing procedures.	Pending	December 2010	Osvaldo Guzmán López Assistant Secretary Management Affairs Efrain Figueroa Díaz Assistant Secretary Employee Benefits	754-5897 754-2142
				e. Provide and/or increase trainings to the accounting personnel related with accounting functions and general accepted accounting principles to governmental entities.	e. A plan will be prepared to provide all accounting personnel trainings related to their accounting functions and general accepted accounting principles for governmental entities.	Pending	December 2010	Magda C. Rodríguez Finance Director	754-5215
				f. Maintain proper evidence of prior years audit adjustments in order to ensure proper reconciliation of beginning fund balances accounts.	f. The PRDOL requested the evidence to the predecessor auditors of the prior years' adjustments, which are being recorded in the MUNIS accounting system as part of the reconciliation of beginning fund balance accounts.	In Process	December 2010	Magda C. Rodríguez Finance Director	754-5215

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08-02	**Cash-Bank Accounts** After performed audit procedures to the cash balances maintained by the Department, we noted the following deficiencies: a. Accounting records for the governmental funds, which bank accounts are held by the Commonwealth of Puerto Rico Treasury Department, were not reconciled with the transactions presented by PRIFAS report (GL-15) and provided by the Commonwealth of Puerto Rico Treasury Department ("Informe de Actividad y Status de Asignaciones por Agencia") b. The Department maintains the responsibility over the preparation of the bank reconciliations for the special revenue fund and the propriety funds bank accounts After examined the bank reconciliation prepared by the accounting personnel of the Department, we noted that accounting records maintained unreconciled differences in the cash accounts when are compared with bank reconciliations. c. Once the bank reconciliations of the special revenue funds were examined we noted the following matters: • Special Disbursement Officer's reconciliation (367-1002-8) include significant reconciling items, including among other outstanding checks issued over one year that the Department do not have any evidence to support them Also, the reconciliation balances were not conciliated with the accounting records.		None	We strongly recommend that bank reconciliation be prepared and reconciled with the general ledger on a monthly basis. Implementation of this policy would allow management to take appropriate action on a timely basis to correct discrepancies that might arise due to bookkeeping errors, bank errors or misappropriation or misuse of monies as well as provide an independent verification of the receipt and disbursement functions. All bank accounts should be reconciled immediately upon receipt of the bank statement and should be reviewed by a responsible official. This review should be evidenced by the reviewer's initials and include the following procedures: a. The balance per bank agree with the reconciliation; b. The reconciled balance agree with the general ledger; c. Review the reconciliation for unusual items; and d. Compare the reconciliation to the prior period for items outstanding not cleared during current period. We also recommend management to consider the consolidation of cash accounts wherever possible. With fewer accounts a tighter control over accounts can be achieved which will help to reduce the risk of misappropriated funds and resources needed to prepare reconciliations	a. The accounting records for the governmental and enterprise funds, which bank accounts are held by the PR Department of Treasury (PR Treasury) are in the process of being reconciled with the transactions presented in the PRIFAS reports provided by the PR Treasury for such purposes b. As part of the year end closing for 2009, the bank reconciliations for the bank accounts of the special revenue funds are being reconciled to the MUNIS accounting records. The unreconciled differences, as well as significant reconciling items over one year are being investigated. Moreover a meeting with PR Treasury is being coordinated to discuss how those reconciling items will be eliminated. c. Management will analyze this recommendation to determine whether it is feasible to consolidate bank accounts.	In Process In Process Pending	December 2010 December 2010 June 2011	Magda C. Rodríguez Finance Director Magda C. Rodríguez Finance Director Osvaldo Guzmán López Assistant Secretary Management Affairs Magda C. Rodríguez Finance Director	754-5215 754-5215 754-5897 754-5215

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08-02 Continued	• Account 367-1701-2, an inactive account, does not have a detail for the deposit in transit amount of $122,367.59; this account has many outstanding checks over one year. • Account 256-0005-09 with a reconciled reconciled balance of $525,798.59 was not possible to identify it among the different general ledgers maintained by the Department for the federal funds. • Account 367-1290-8 was closed, but bank reconciliation maintained a list of reconciling items amounted to $77,500.20. Auditors could not obtain a detail of this amount for verification.								
	d. In the bank reconciliation for the accounts used by the proprietary funds, we observed the following irregularities: • Account 467-1001-8 (Special Disbursement officer-Unemployment Section) account includes significant reconciling items, including outstanding checks over one year. • The contribution Section does not reconcile the Trust Fund account with general ledger and Treasury Department of the United State of America does not maintain a list of reconciling items. As adjustment amounted to $422, 0173.45 was proposed to conciliate accounting records with the Trust Fund account report. • The SINOT Section does not reconcile the account 200-3060-5 with general ledger and Treasury Department and do not maintain a list of reconciling items.				d. As part of the year end closing for 2009, the bank reconciliations for the bank accounts of the enterprise funds are being reconciled to the MUNIS accounting records. The unreconciled differences, as well as significant reconciling items over one year are being investigated. Moreover a meeting with the PR Treasury is being coordinated to discuss how those reconciling items will be eliminated. In addition, the bank reconciliations for the Unemployment Trust Fund account held by US Treasury Department and the interest bearing accounts (IBA) at GDB were prepared for the year 2009. Regarding the depository accounts for SINOT and Drivers, the PR Treasury does the reconciliations for these accounts, which the PRDOL requested as part of the 2009 year end closing.	In Process	January 2011	Efraín Figueroa Díaz Assistant Secretary Employee Benefits Radamés Lamenza Director Unemployment Program Vacant Director Contributions Section Félix Vázquez Director Employee Benefits José Nazario Director SINOT Program Luis Costas Director Drivers' Program	754-2142 625-3137 754-5818 754-2148 754-2144 754-5288

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08-02 Continued	• The Drivers Section do not reconcile the account 200-3090-4 (Investment Account) with general ledger and Treasury Department, and do not maintain a list of reconciling items. • The Agency does not maintain a reconciliation of the depository account of SINOT and Drivers, these accounts are under the custody of the Commonwealth of Puerto Rico Treasury Department.								
	e. We observed that the bank statement for the month ended on June 30, 2008 was not stamped with the received date as stated in the Treasury Department's Regulation #9, "Normas basicas para los Oficiales Pagadores Especiales Nombrados por el Secretario de Hacienda". The reconciliation must be prepared within three days after receipt of the bank statement or if more time is need an extension of five (5) more days could be provided by the "Negociado de Intervenciones" without the received date we can't determine if the reconciliation was prepared on a timely basis. The following bank statements were not stamped the date of received: • Account #467-1001-8 - Unemployment • Account #030-382068				e. Two accountants were appointed to reinforce the reconciliation of the Special Disbursement Officer (SDO) and liquidation accounts. Such personnel were informed about this matter and took the appropriate action to ascertain compliance on a timely basis with the SDO regulations from the PR Treasury. In addition, SDO division is coordinating with the outside service provider EVERTEC to provide additional reports to facilitate the reconciliation process.	Partially Completed	January 2011	Efraín Figueroa Díaz Assistant Secretary Employee Benefits Radamés Lamouza Director Unemployment Program Vacant Director Contributions Section	754-2142 625-3137 754-5818

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08-02 Continued	The following accounts were stamped with the received date, nevertheless the bank reconciliation were not prepared within three days after receipt of the bank statement which does not represent compliance with the regulation. Account # / Received / Prepared 367-1002-8 / 07/07/08 / 08/08/08 367-1701-2 / 07/07/08 / 07/17/08 256-0006-8 / 07/07/08 / 08/28/08 034-832-645 / 07/14/08 / 08/28/08 256-0005-9 / 07/07/08 / 08/27/08 Also, the account #367-1201-7 reconciliation was not signed by the person who prepared it				In August 2009, the Assistant Secretary of Management Affairs issued written instructions to the Finance Director and the accountants to ascertain compliance on a timely basis with the Regulation 9 for SDO from the PR Treasury Regarding the SINOT SDO account, a new accountant was assigned to prepare the SDO account bank reconciliations. Since the reconciliation of July 2008, they took the appropriate action to ascertain compliance on a timely basis with the Regulation 9 for SDO from the PR Treasury	*Partially Completed* *Completed*	*January 2011* *August 2008*	*Osvaldo Guzmán López* *Assistant Secretary* *Management Affairs* *Magda C. Rodríguez* *Finance Director r* *José Nazario* *Director* *SINOT Program*	*754-5397* *754-5215* *754-2144*

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08-03	*Investments* The Investments held by the Department pertain to the Temporary Occupational Disability Insurance has not been reconciled with the general ledger on a monthly basis. During our audit, we adjust this amount to the fair market value of the investment without considering the effect of the purchases and sales because of the inadequate accounting records. The Department only recognizes in books interest earned from investment during the year, but does recognize the gains or losses from sales of securities during the year, if any		None	We recommend management to devote adequate resources to ensure that all investments maintained by third parties are reconciled monthly and that all transactions related to investments are recorded according to generally accepted accounting principles. We also recommend each reconciliation to be reviewed by personal over the staff level of the preparer.	Starting the fiscal year 2009, the investment accounts were reconciled monthly, including related accounts rollforwards, and reviewed by the Investments Director. As soon as the Finance Office creates the required accounts in its chart of accounts, the Disability Insurance Accountant will record the related monthly transactions in the MUNIS accounting system starting with the month of July 2008.	Partially Completed	January 2011	Edna Sáez Investments Director Magda C. Rodríguez Finance Director r José Nazario Director SINOT Program	754-5710 754-5215 754-2144

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Hon. Miguel Romero
Secretario

DEPARMENT OF LABOR AND HUMAN RESORCES
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08-04	*Account Receivable- Proprietary Funds* DOL does not maintain a complete subsidiary of accounts receivable. Also, the accounts receivable were not reconciled to the general ledger balance during the year for the Unemployment Insurance Fund, Disability Insurance Fund and Drivers Insurance Fund. We proposed some adjustments as per subsequent collection details provided by client, because the DOL do not maintain a subsidiary ledger for those accounts receivables		None	Maintain a proper accounts receivable subsidiary ledger and conciliate with the amounts recorded in the general ledger for the different funds.	At June 2009, a complete subsidiary of contributions receivable was requested from EVERTEC for the Unemployment and Disability Insurance programs, which now includes the quarter ended June 2009. However, EVERTEC is currently working on recalculating employers with credit balances, which require to be eliminated from the deferred revenue reports if amount due for the quarter June 2009 was larger than the credit for overpayments.	*Partially Completed*	*December 2010*	*Efraín Figueroa Díaz* *Assistant Secretary* *Employee Benefits*	*754-5818*
					Regarding the Drivers' Insurance program, the PRDOL will coordinate with the outside service provider to determine whether the contributions receivable report can be generated by the Program's system. Otherwise, the Accounts Receivable Module of the MUNIS accounting system, which is pending to be implemented, will be evaluated to determine if such module can generate such subsidiary.	*Pending*	*March 2011*	*Luis Costas* *Director* *Drivers' Program*	*754-5288*

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08-05	*Accounts Receivable – Others* DOL does not maintain a complete subsidiary of amounts DUE from Federal Government and Other Accounts Receivable. Also, during the year those amounts were not reconciled to general ledger to reflect the actual collectible amount		*None*	An accounts receivable subsidiary should be established and the amounts recorded on general ledger should be adjusted and analyzed in a monthly basis.	The Finance Office is in the process of creating general ledger accounts to record the Due from Federal Government and Other Accounts Receivable transactions to reflect the actual collectible amounts Moreover, the Accounts Receivable Module of the MUNIS accounting system is pending to be implemented to create invoices to be able to issue an other accounts receivable aging	*In Process*	*December 2010*	*Magda C. Rodríguez* *Finance Director r* *Efraín Figueroa Díaz* *Assistant Secretary* *Employee Benefits* *Radamés Lamenza* *Director* *Unemployment Program*	*754-5215* *754-2142* *625-3137*

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08-06 Continued	Capital Assets (Continued)		None		Also, the Administrative Services Office is in the process of completing the annual physical Inventory timetable to perform an annual physical inventory to the property custodians of the different offices.	In process	June 2011	Israel Vélez Colón Director Administrative Services	756-1141

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03-05	**Capital Assets** In the area of capital assets we noted the following deficiencies: a. The records provided for auditors examination does not provide reasonable assurance that all additions for the year are identified and accounted for. b. During the year, the Department did not capitalize its property and equipment acquisitions, instead the agency charged to expense all the acquired property and equipment. Also, there is no reconciliation of acquisitions recorded on capital assets list. c. The cost of property and equipment maintained by the Department does not identify any possible retirements made during a year. Also, it included acquisitions dates but serial numbers are not used consistently based on the acquisition dates. d. A depreciation schedule is not maintained for the capital assets held by the Department.		None	The Agency should establish or improve existing procedures which permit keep appropriate accounting records over the capital assets and the Finance Department could be able to report appropriately the capital assets in the financial statements Also, maintain adequate controls will resulted in appropriate and actualized accounting records that will help verify the existence and completeness of the capital assets owned by the Agency Furthermore, perpetual records should be established for property and equipment. These perpetual records should be updated on a monthly basis with all purchases, transfers and retirements of property. Physical inventories should be taken at least on an annual basis. These physical inventories should be compared with the perpetual records and all differences noted must be immediately investigated and resolved	As per Regulation 11 of the PR Treasury, only property additions with an initial cost over $25,000 and a useful life of at least 5 years should be capitalized for audited financial statements purposes. The capital assets schedules from 2002 to 2009 were obtained from the PR Treasury that support capital assets transactions, including depreciation expense and related accumulated depreciation balances. As part of the 2009 accounting closing, capital assets additions recorded in the MUNIS accounting system will be reconciled to the Property Ledger of the Property In-Charge Moreover, the PRDOL disagrees with part b of this finding since in the governmental funds financial statements; property additions are recorded as expenditures. Only in the government-wide and enterprise funds financial statements, property additions are considered capitalizable assets. Also, the PRDOL disagrees with part c since retirements of assets previously capitalized are informed to the PR Treasury as required by the annual circular letter from such department. There were no such retirements in 2008 Moreover, capital acquisitions are numbered based on receipt date, which could differ from the acquisitions dates, and thus not necessarily will follow a sequential order.	Partially Completed In process Completed	December 2010 December 2010 November 2009	Israel Vélez Colón Director Administrative Services Magda C. Rodríguez Finance Director r Magda C. Rodríguez Finance Directorr Israel Vélez Colón Director Administrative Services	756-1141 754-5215 754-5215 756-1141

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08-07	**Account payable and benefits payable** a) During the audit of accounts payable area, we noted that subsidiaries balances included several invoices from prior years that were already paid and had not been eliminated from the accounts payable subsidiary. Also, we noted that accounts payable subsidiaries were not reconciled with general ledger accounts. b) The Department has established policies to determine the balance of benefits payable at the end of the year for each of the Proprietary funds (Unemployment Insurance, Driver's Insurance, Non-occupational Disability). However, the accounts balances are not reconciled on a monthly basis and the existing internal controls do not provide assurance that all the obligations are summarized and recorded on books. Also, the balance at end of year of the benefits payable accounts for each Proprietary Fund, were adjusted as a part of the audit procedures.		None	The Finance Department should maintain a ledger of all open invoices and all issued payments vouchers by date and fund. This ledger must be reconciled on a monthly basis to identify all accounts payable that must be kept in a subsidiary. It must also be analyzed and reconciled with the general ledger on a monthly basis. Differences and reconciling items should be investigated and adjusted on a timely basis. Also internal control structure over benefits payable should be reviewed in order to provide assurance of the appropriate reconciliation and recording of these obligations.	a. As part of the MUNIS accounting system upgrade, all open invoices and all unpaid payments vouchers were recorded as accounts payable by date and fund. Payment vouchers paid by the PR Treasury are being eliminated from the accounts payable subsidiary upon recording disbursement checks. Also as part of the 2009 accounting closing, such accounts payable ledger will be reconciled to the corresponding general ledger accounts in the MUNIS accounting system.	Partially Completed	December 2010	Magda C. Rodríguez Finance Director r	754-5215
					b. For 2009, benefit payable details were prepared and then adjusted based on the ultimate cost of settling the benefits. As part of the 2009 accounting closing, such benefit payable details will be reconciled to the corresponding general ledger accounts in the MUNIS accounting system.	Partially Completed	December 2010	Efraín Figueroa Díaz Assistant Secretary Employee Benefits	754-2142
								Radamés Lamenza Director Unemployment Program	625-3137
								Félix Vázquez Director Employee Benefits	754-2148
								José Nazario Director SINOT Program	754-2144
								Luis Costas Director Drivers' Program	754-5288
								Magda C. Rodríguez Finance Director r	754-5215

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08-08	*Payroll* We noted discrepancies on the amounts of salaries reported when compared books and the report prepared by Puerto Rico Treasury Department for the purpose of prepare the FICA tax returns. Also, the FICA tax returns were not provided for our examination		*None*	Evaluate internal control procedures and the different duties assigned to each different personnel in order to comply with the different requirements of the payroll transactions.	As part of the 2009 accounting closing, the payroll reports (G/L 200) will be reconciled to the corresponding general ledger accounts in the MUNIS accounting system for all funds. Regarding the FICA tax returns, such forms are prepared by the PR Treasury and are available to be examined by the auditors at PR Treasury premises.	*In Process*	*December 2010*	*Magda C. Rodríguez* *Finance Director* *Tomás Montañez* *Payroll Director*	*754-5215* *754-5219*

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DEPARMENT OF LABOR AND HUMAN RESORCES
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08-09	*Payroll* The Department does not prepare and filed the Unemployment Insurance and Disability Insurance tax returns.		None	Evaluate internal control procedures and the different duties assigned to each different personnel in order to comply with the different requirements of the payroll transactions.	The PRDOL will coordinate a meeting with the PR Treasury to determine which report can be generated from RHUM to be able to complete the quarterly tax returns for unemployment and disability as required.	Pending	March 2011	Tomás Montañez Payroll Director	754-5219

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08-10	*Payroll* DOL's Finance Department does not record the transactions related to payroll, bonus and payroll taxes accruals as required by generally accepted accounting principles.		*None*	DOL's Human Resources Department should establish systems that permits the accumulations of data related to the payroll to be able to generate complete and update reports on a timely basis. In addition, the Finance Department should implement the analysis necessary to be able to prepare a trial balance on an accrual basis of accounting. Proper communication should exist between both Departments to make accrual adjustments accurately and on a timely basis	The PRDOL disagrees that no payroll taxes accruals were prepared, since the PR Treasury charges payroll taxes for each pay period, thus no year end accruals are required to be recorded.	*Completed*	*November 2009*	*Tomás Montañez* *Payroll Director*	*754-5219*
					As part of the 2009 accounting closing, Christmas bonus detail was prepared by the Payroll Office, which will be recorded in the MUNIS accounting system for the Disability and Drivers' Insurance Funds for the enterprise funds financial statements as required by US GAAP. Also, a reconciling item will be included in the government-wide financial statements for all other funds as also required by US GAAP. The Finance Office is in the process of creating the general ledger accounts to record such accruals in the MUNIS accounting system	*Partially Completed*	*December 2010*	*Magda C. Rodríguez* *Finance Director*	*754-5215*

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08-11	*Payroll* We performed a test over a sample of employee files As a result of our test, we noted that certain documents were not included and/or actualized on the files. The following is a summary of the documents: See attachment; Single Audit 2007-2008 or the Summary of the documents		*None*	DOL's Human Resources Department should review and up date all employees' files. A checklist should be maintained with a list of all required and necessary information to be included in the files. Any missing documents should be requested from the employee	As part of the internal procedures starting January 2009 for every personal transaction, the Human Resources technicians verified and updated all documents related to the employee's files according to the agencies policies. Moreover, the Recruitment Section will realize revisions of all personnel files to detect any missing document that need to be obtained and included in the files using a checklist to do the personnel files audit	*Partially Completed*	*June 2011*	*Rina Crespo Rodriguez* *Assistant Secretary* *Human Resources*	*754-5865*

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DEPARMENT OF LABOR AND HUMAN RESORCES
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08-12	*Income and Collection Test* When performing the Unemployment Insurance and Disability Insurance Sections income and collection test, we examined 20 income files and noted that there was not proper supervisor over the work performed by the collector, because no reviewer signatures were noted on these files.		None	Supervising policies should be reviewed by the director of the department in order to verify proper verification procedures. This will help to ensure that all collection reports (deposit slips, ect.) are verified, completed and property safeguarded to prevent loss of money and important information.	Starting July 2010, all collection reports and vouchers are being verified and signed as evidence by the Contributions Director.	Completed	July 2010	Efraín Figueroa Díaz Assistant Secretary Employee Benefits	754-5818

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08-13	*Filling Systems* We noted a deficiency in the filling system maintained by the Department. In various instances information could not be provided to auditors due to information was loss or misfiled. Examples of this situation were the following: a. The "Negociado de Seguridad de Empleo" did not provide for our examination our unemployment participants records required for our beneficiary test b. The Contribution Section did not provide for our examination one employer's tax return during our income and collection test.		None	We suggest that file cabinets should be located in a safe place and that only the authorized person should have access to it. In addition, management should evaluate the filling system in the different departments of the Institution	PRDOL officially designated a Document's Administrator, who is responsible of the following duties: 1. Evaluate the filling system and develop new methodology in accordance with the state law and regulations. 2. Coordinate the labor in all phases related to document's management in the agency. 3. Give orientation and trainings in order to capacitate employees in the creation, use, conservation and final disposition of public documents. 4. Establish procedures that ensure the document's safety and fast location upon requests. 5. Perform audits related to the files' filling system Such Administrator has performed the following: 1. Three trainings for supervisors focused in document's law, regulations and procedures were offered on August 25, 27, and September 8. 2. Two trainings for clericals' position based on documents' classification and conservation period until final disposition were offered on September 24 and October 8.	Completed	August 2009	Israel Vélez Colón Director Administrative Services	756-1141

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08-13 Continued	Filling Systems (Continued)		None		3. Established written procedures to ensure the safety of public's documents in all phases 4. Developed a process for documents' request to the filing unit 5. Performed audits in the different offices of the PRDOL in which procedures had been evaluated and recommendations given to improve and upgrade the quality of the filing process.	Completed	August 2009	Israel Vélez Colón Director Administrative Services	756-1141

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08-14	*Financial Statements* At the time of our examination of the financial statements, we noted that financial information not reviewed, analyzed and reconciled on a monthly basis. It appears that is the result of a lack of formal procedures or timetables to provide the necessary guideline to responsible employees		None	We recommend that a monthly checklist be prepared to ensure that all procedures and timetables have been met on a timely basis. This will increase the effectiveness of these reports, allowing management to actually use the data in their decision making.	The Finance Director will establish a monthly closing schedule to comply with the procedures and terms established by the PRDOL'S APM and by the PR Treasury. Also upon completion the MUNIS accounting system upgrade and related GASB No. 34 Reports module implementation, monthly financial statements for the governmental and enterprise funds will be issued by the Finance Director as part of such closing procedures.	Pending	January 2011	Magda C. Rodriguez Finance Director	754-5215

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08-15 Continued	5. The Finance Department does not keep appropriate records regarding the composition of encumbrance accounts recorded in books on the difference funds maintained by the Agency		None		5 As part of the MUNIS accounting system upgrade, all open encumbrances were recorded by date and fund. Such encumbrance ledger will be reconciled to the corresponding general ledger accounts in the MUNIS accounting system as part of the 2009 year-end closing procedures.	Partially Completed	December 2010	Magda C. Rodriguez Finance Director	754-5215

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08-15	*Internal Control Over Financial Reporting* The following matters regarding internal control over financial reporting were noted during our examination: 1. The Department has not developed a uniform accounting policies and procedures manual applicable to all areas, which would enhance the financial reporting process by establishing uniform procedures for all funds. Therefore, each employee of the Department is assigned to work in a specific area or task but each of them work according to their own experience without following uniform procedures 2. Certain instances of improper segregation of duties were noted. For example, the same person in the Contributions Division (Unemployment Insurance and Non-occupational Disability Insurance) is responsible for receiving contributions, preparing the bank deposit, and posting cash receipts and insurance taxes collections in the accounting systems. In addition, the bank deposits and remittance reports submitted to the Commonwealth of Puerto Rico Treasury Department and Finance Department were performed without independent reviews and properly recorded in books for bank reconciliation purposes. Also, the Disbursements officer of the Benefit Payments Section of the Driver's Insurance Fund and Finance Department prepares the disbursement ledger and signs checks through the use of computer system.		None	Management should develop a proper accounting policies and procedures manual. This also applies to the internal audit function, as well as to the Information Technology Department. Regarding internal control over financial reporting, management should establish a proper segregation of duties between custody of assets and the accountability and recording processes. Such conflicting responsibilities should be separated to the extent possible, considering the limited amount personnel in the Department. The goal should be to ensure that no individual has both access to assets and records or monitoring procedures over such assets. Segregation of duties will provide a stronger system of internal control whereby the functions of each employee are subject to the review of another. Management should monitor each of these as the staff is expanded and as responsibilities are reassigned	1 As part of standardizing and centralizing the accounting function, the PRDOL is in the process of completing Accounting & Procedures Manual (APM). For this process, the Finance Department consulted and obtained approval of the APM from each section supervisor of the following sections: a. Purchasing b. Property Plant & Equipment c. Budget & Requisition d. Accounts Payables (Voucher Processing) e. Accounting & Voucher Payment f. Contract Administration g. Professional Services Contract h. Non Professional Services Each of the sections mentioned above included in the APM contains guidance of the work realized in each area, the flow of the information including internal controls, required forms, and the process of recording such information in the MUNIS accounting systems.	*In Process*	*December 2010*	*Osvaldo Guzmán López* *Assistant Secretary* *Management Affairs* *Magda C. Rodríguez* *Finance Director*	*754-5897* *754-5215*
					2. The Contributions Section established segregation of duties to be in compliance with internal control procedures. Also, the bank deposit remittances are being signed by its Director. However, the PRDOL disagrees that both the checks disbursements ledgers are prepared and the checks are signed by the SDO, since the check registers are prepared by EVERTEC.	*Completed*	*July 2010*	*Efraín Figueroa Díaz* *Assistant Secretary* *Employee Benefits* *Vacant* *Director* *Contributions Section*	*754-2152* *754-5818*

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08-15 Continued	3. The Department does not record property all returned checks as a receivable balance. Instead, these are automatically adjusted to revenue accounts		None		3. We will work to establish Procedures to recorded returned checks as account receivables, instead of as a reduction of revenues for Unemployment and Disability Insurance, and instruct responsible personnel.	Pending	June 2011	Efrain Figueroa Director Contributions Section	754-5818
					Regarding the Drivers' Insurance program, other accounts receivable detail is kept to record such checks. These will be recorded in MUNIS to the correct account as soon as the integration of the program is completed.	Partially Completed	June 2011	Luis Costas Director Drivers' Program	754-5288
					In the Finance Office, its Director will instruct responsible personnel so that returned checks are recorded as accounts receivable other instead of as a reduction of revenues	Pending	June 2011	Magda C. Rodriguez Finance Director	754-5216
	4. During our evaluation of the Internal Audit Department, noted that the Department does not have a format policies and procedures manual that will enhance the uniformity of internal audit procedures among department personnel and increase the efficiency and effectiveness of the internal audit department as a management monitoring tool				4. The PRDOL disagree with this finding since the PRDOL has an Internal Audit Manual since May 2007 and a General Policy for the administration, management and security of information technology, Internet and email since March 2008 Moreover, information technology procedures manual were prepared for the Emergency Management Plan and the Contingency Plan.	Completed	September 2010	Alba I. Maldonado Colón Director Internal Audit José A. Rios Director Information Technology	754-5398 754-2154

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08-16	*Test of Transactions "Ley 52 & 82"* We select a sample of 17 beneficiaries" files of Ley 52 and 82 to review that each participant complies with all the requirements and documents to justify the use of the salary incentive, as established in the contract. As a result of our test, we noted that certain documents were not included on the files. The following is a summary of the missing documents: Number of times where deficiency was found Advance Evidence Form 3 Proposal 5 Contract 3 Payroll cancelled checks 3 Voucher without the "preintervenido" stamp 1		*None*	Proper monitoring by the Work incentive Department to each participant to assure the compliance with the contract.	A new monitoring procedure was implemented. Moreover, 99.5% of the files were reviewed for the fiscal year 2008-2009.	*Completed*	*November 2009*	*Wanda Fontánez Ruiz* *Executive Director* *Bureau for Promoting Job Opportunities*	*754-5227*

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08-17	**Test of Transactions Disbursements** We selected a sample of 50 disbursements realized by the Special Disbursement Officer and the Treasury Department to review that the department complies with the requirements and documents established by law for the costs and activities allowable As a result of our test, we noted that certain procedures were not follow. The following is a summary of these procedures: Number of times where deficiency was found Voucher without the paid stamp 9 Voucher without the "preintervenido" stamp 1 Voucher without one signature 1		None	Proper monitoring by the Finance Department personnel to assure that all administrative procedures and documents require to support each disbursement are followed as established by law	The Finance Director issued written instructions to the SDO to make sure to act in accordance with these requirements. In addition, the Finance Director is revaluating the procedures at the preintervention and payments sections to ascertain that no payments are issued with incomplete signatures and/or stamps.	In process	June 2011	Osvaldo Guzmán López Assistant Secretary Management Affairs Magda C. Rodriguez Finance Director	754-5897 754-5215

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08-18	*Accrued Vacation and Sick Leave* We select a sample of 25 employees from the accrued vacation and sick leave report prepared by the Agency as per Treasury Department requirements established on "Carta Circular 1300-40-07". We asked for the employee's accumulations card and compared the total accumulation per employee with the amount established in the final report submitted to the Treasury Department, we found differences in 23 of the records examined. Those amount were corroborated with the Payroll Department and recomputed as per accumulations policies established. We made a projection and proposed the corresponding adjustment.		None	The Agency should establish a computerized system that allows the accumulation of data related to the each employee attendance to be able to generate complete and updated report on a timely basis.	At the end the 2007 year, the PRDOL acquired *Kronos*, a computerized attendance system for maintenance and the accumulation of data related to each employee. At present, this system provides a complete and up-to-date report of the accrued vacation and sick leave hours by employee.	*Completed*	*August 2009*	*Rina Crespo Rodriguez* *Assistant Secretary* *Human Resources*	*765-5815*

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08-19	*All Federal Programs Reportable Condition* As discussed in the findings 08-01, 08-02, 08-05, 08-06 and 08-07, the Department did not maintain adequate accounting records.		None	Refer to the findings 08-01, 08-02, 08-05, 08-06 and 08-07 above for required recommendation.	Refer to the findings 08-01, 08-02, 08-05, 08-06 and 08-07 for the management corrective action plan	In Process	January 2011	Osvaldo Guzmán López Assistant Secretary Management Affairs	754-5897
								Magda C. Rodríguez Finance Director	754-5215
								Rina Crespo Rodríguez Assistant Secretary Human Resources	754-5865
								Efraín Figueroa Díaz Assistant Secretary Employee Benefits	754-2152
								José Nazario Director SINOT Program	754-2144
								Edna Sáez Investments Director	754-5710
								Vacant Director Contributions Section	754-5818
								Luis Costas Director Drivers' Program	754-5288
								Israel Vélez Colón Director Administrative Services	756-1141

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08-20	***All Federal Programs Reportable Condition***								
	As discussed in the findings 08-14 and 08-15, the Department had several deficiencies regarding internal control structure over financial reporting. Due to such failure the Department does not have the ability to produce federal reports in a timely basis and federal programs were not properly monitored as to compliance with applicable laws and regulations.		***None***	Refer to the finding 08-14 above for the required recommendation.	Refer to the finding 08-14 above for the management corrective action plan.	***In Process***	***January 2011***	***Magda C. Rodríguez Finance Director***	***754-5215***
				Refer to the finding 08-15 above for the required recommendations	The Federal Cost Accounting Division was transferred to the Finance Office effective June 2011. Also as part of the MUNIS accounting system upgrade, such federal reports will be easier to be generated and thus allow for timely filing with the federal agencies.	***In Process***	***June 2011***	***Osvaldo Guzmán López Auxiliary Secretary Management affairs*** ***Magda C. Rodríguez Finance Director***	***754-5897*** ***754-5215***
					Moreover, the PRDOL assigned new personnel to be in charged of compliance with the due dates for programs' reports.	***In Process***	***June 2011***	***Efraín Figueroa Díaz Assistant Secretary Employee Benefits***	***754-2152***

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08-21	***All Federal Programs Reportable Condition*** No proper accounting and monitoring procedures have been developed over property and equipment transactions. There is no formal subsidiary of property and equipment that shows acquisitions and dispositions segregated by federal programs		***None***	The Department should prepare a detail of property and equipment as required by State Regulation and Common Rule, Section 32 This detail must be reconciled to accounting record Also periodic reconciliation between physical inventory and subsidiaries should be preformed to ascertain that all property is accounted for and maintained in good conditions.	Effective November 2009, the property and equipment acquisitions purchased with federal funds are being identified in the Property Ledger. As part of the MUNIS accounting system upgrade, a Fixed Assets Module is in the process of being implemented that also will assist compliance with this recommendation, also, for the purpose to register the property by program	***In Process***	***June 2011***	***Israel Véloz Colón*** ***Director*** ***Administrative Services***	***756-1141***

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SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2008

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08-22	**Employment Services** The following report was submitted to the federal agency after due date: ***Program:*** Employment Services ***Grant Period:*** 07/01/2008 – 09/30/2010 ***Quarter:*** 07/01/07 – 09/30/2007 ***Report:*** Financial Status Report ***Due Date:*** 11/15/07 ***Submitted:*** 11/28/07	17-207	None	Management should property monitor and follow up the preparation of the reports to comply with due dates.	Effective fiscal year 2010, the program has met the deadlines for filling the financial status reports in compliance with federal laws and regulations	Completed	October 2009	Sandra Valentín Benefits Director	625-3137

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HON. MIGUEL ROMERO
SECRETARIO

DEPARMENT OF LABOR AND HUMAN RESORCES
CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2008

FINDING NUMBER	FINDING OR CONDITION	CFDA NUMBER	QUESTIONED COST	RECOMMENDATION	MANAGEMENT CORRECTIVE ACTION PLAN	STATUS	ANTICIPATED COMPLETION DATE	RESPONSIBLE OFFICER	CONTACT NUMBER
08-23	*Unemployment and Trainings Insurance* In order to evaluate the eligibility of participants of the unemployment insurance benefits, we selected a sample of fifty (50) participant records of which forty six were provided for examination. As a result of our test, we noted that certain documents were not included and or actualized on the files. The following is a summary of the documents: 20 eligibility questionnaires 3 weekly benefit payment report 24 unemployment benefit application	17-225	None	We recommended that participants files should be reviewed on a regularly basis in order to monitor procedures and ascertain that all required documentation is included in the participant files.	The Unemployment Director will issue written instructions to the SDO to make sure to act in accordance with these requirements. In addition, such Director is revaluating the procedures at the preintervention and payments sections to ascertain that no payments to participants are issued with incomplete required documentation	*Pending*	*Present to continuous*	*Sandra Valentín Benefits Director*	*754-2152 or 754-2121 754-2142*

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DEPARMENT OF LABOR AND HUMAN RESORCES
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SINGLE AUDIT FOR THE YEAR ENDED JUNE 30, 2008

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08-24	**All Federal Programs** The Department has not submitted the Data Collection Form and the Reporting Package, for the year ended June 20, 2008. The Data Collection Form and the Reporting Package must be submitted by the auditee within the earlier of 30-day after the receipt of the auditor's reports or nine moth after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit		None	We recommended the Department to contract an audit firm to be in-charge of the single audit process before the year end and to close the fiscal year.	Contracts for single audits of the fiscal years 2009 and 2010 were awarded in June 2009 and in June 2010, respectively. Currently, the external auditors are in the process of completing the 2009 and 2010 single audits	*In Process*	*March 2012*	*Osvaldo Guzmán López* *Assistant Secretary* *Management Affairs*	*754-5897*

CERTIFY BY: _____ DATE: 14/12/2010

Mr. Osvaldo Guzmán
Auxiliary Secretary
Management Affairs
Puerto Rico Department of Labor
And Human Resources

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