

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2009

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

**SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2009**

CONTENTS

	PAGE
FINANCIAL SECTION:	
Independent auditors' report	1-2
Statement of receipts and disbursements	3
Notes to statement of receipts and disbursements	4-7
SUPPLEMENTARY INFORMATION:	
Schedule of expenditures of federal awards	8
Notes to schedule of expenditures of federal awards	9
COMPLIANCE SECTION:	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	10-12
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	13-16
Schedule of findings and questioned costs	17-23
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	
CORRECTIVE ACTION PLAN	



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Admitted in the State of New Jersey

Honorable Henry Newmann Zayas
Secretary
Sports and Recreation Department
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying Statement of Receipts and Disbursements (the Statement) of the Sports and Recreation Department of the Commonwealth of Puerto Rico (the SRD) for the year ended June 30, 2009. This Statement is the responsibility of the SRD's management. Our responsibility is to express an opinion on this Statement based on our audit.

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

As described in Note 1 to the Statement, the SRD prepares its Statement on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Statement referred to above presents fairly, in all material respects, the receipts and disbursements of the Sports and Recreation Department of the Commonwealth of Puerto Rico for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued our report dated March 24, 2010, on our consideration of the SRD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Honorable Henry Newmann Zayas
Secretary
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our audit was conducted for the purpose of forming an opinion on the Statement of Receipts and Disbursements of the SRD, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the Statement of the SRD. Such information has been subjected to the auditing procedures applied in our audit of the Statement and, in our opinion, is fairly stated, in all material respects, in relation to the Statement taken as a whole.

Forres Rompart, Sanchez Ruiz LLP

March 24, 2010
License No. 221
San Juan, Puerto Rico

The stamp number 2475376 was
affixed to the original of this report.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

STATEMENT OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2009

<u>Program</u>	<u>State funds</u>		<u>Federal funds</u>		<u>(Totals Memorandum only)</u>	
	<u>Receipts</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Disbursements</u>
Management and Administration	\$ 8,908,194	\$ 6,610,129			\$ 8,908,194	\$ 6,610,129
Physical Infrastructure	22,357,662	22,348,201			22,357,662	22,348,201
Sports Development and Promotion	9,567,724	9,562,207	\$2,141,011		9,567,724	11,703,218
Joint Resolutions, Special Accounts and Others	13,527,644	8,307,979			13,527,644	8,307,979
Joint Resolutions, Special Accounts and Others obtained from prior years	<u>5,505,796</u>	<u>43,168,496</u>			<u>5,505,796</u>	<u>43,168,496</u>
	<u>\$59,867,020</u>	<u>\$89,997,012</u>	\$	<u>\$2,141,011</u>	<u>\$59,867,020</u>	<u>\$92,138,023</u>

See accompanying notes to statement of receipts and disbursements.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Sports and Recreation Department (the SRD) of the Commonwealth of Puerto Rico was organized under Law Number 126 of June 13, 1980, as amended. The SRD is responsible for promoting innovative strategies for the development of recreational and sports activities as an alternative for the good use of idle time and the improvement of the quality of life of the people of Puerto Rico. The Secretary is appointed by the Governor of the Commonwealth of Puerto Rico.

Basis of presentation

The accounts of the SRD are organized on the basis of two fund types: state funds and federal funds. The SRD 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 SRD from programs funded by the Federal Government.

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

Management and Administration – This fund is used to account for resources and expenditures related to providing support and advice to the SRD by providing tools and mechanisms to facilitate the coordination and execution of the overall administration of the human resources, acquisitions, finances and general services.

Physical Infrastructure – This fund is used to account for resources and expenditures related to maintaining in optimum conditions the sports and recreational facilities to satisfy the needs of the community and to providing support to the service programs carried on through the Regional offices located at Añasco (Northwest), Arecibo (North), Barranquitas (Central), Caguas (South-Central), Canóvanas (Northeast), Humacao (Southeast), Mayagüez (Southwest), Ponce (South), San Juan (Metropolitan) and Toa Baja ("El Toa").

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

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

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Sports Development and Promotion – This fund is used to account for resources and expenditures related to promoting, advising and supervising the sports activities, fomenting a greater participation of the youth, and providing the citizens healthy alternatives for the best use of its idle time with the purposes of controlling the crime and improving the quality of life.

Joint Resolutions and Special Accounts and Others - This fund is used to account for resources which are designed to attain specific purposes in accordance with its applicable laws. Such funds are authorized by the Legislature of the Commonwealth of Puerto Rico or may come from service fees, donations from citizens and private entities, and other collections from some governmental entities. These allocations remain active until their purposes are fulfilled, independently from the fiscal year approved.

Basis of accounting

The SRD follows a receipts and disbursements method of accounting to account for all funds administered. Under this method, cash or funds transferred are recognized as revenues when funds are received or transferred-in, and expenditures are recognized when funds are disbursed or transferred-out. Therefore, the Statement of Receipts and Disbursements is not intended to present the SRD's results of operations in accordance with accounting principles generally accepted in the United States of America.

Budgetary accounting

Formal budgetary accounting is employed as a management control tool for all funds of the SRD. 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
SPORTS AND RECREATION DEPARTMENT**

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

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Totals memorandum only columns

The totals memorandum only columns are presented only to facilitate additional analysis. The totals 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 SRD.

2. RETIREMENT PLANS

All full-time regular employees are covered and must participate in the employee retirement plan administered by the Employees' Retirement System of the Government of Puerto Rico and its instrumentalities, which is a cost-sharing multiple employer plan. Employees must contribute 5.775% for the first \$550 of their monthly gross salary and 8.275% for the salary in excess of \$550. The SRD contributes 9.275% of the total gross salaries.

Total contributions made for the pension plan during the year ended June 30, 2009, amounted to \$1,869,080 for employees paid with state funds.

3. COMPENSATED ABSENCES

The employees of the SRD 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 the 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 of Puerto Rico to annually pay their employees the accumulated vacation and sick leave earned in excess of the limits mentioned above.

4. COMMITMENTS

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

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

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

YEAR ENDED JUNE 30, 2009

4. COMMITMENTS (CONTINUED)

Rent paid during the fiscal year ended June 30, 2009, under these lease agreements amounted to \$306,067. Information of the future minimum rental payments required under operating leases was not available.

5. CONTINGENCIES

Litigation – The SRD is a defendant in lawsuits arising in the normal course of operations, principally from claims for alleged injuries in recreational facilities. According to the laws of the Commonwealth of Puerto Rico, the SRD is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against the SRD. Any claims with negative financial impact would be paid from the resources of the SRD and the Commonwealth of Puerto Rico.

Federal awards - The SRD participates in a number of federal financial assistance programs funded by the federal government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors. If expenditures are disallowed due to noncompliance with grant program regulations, the SRD may be required to reimburse the grantors.

The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133 for the year ended June 30, 2009, disclosed material instances of noncompliance with applicable laws and regulations and significant deficiencies and material weaknesses in the internal accounting and administrative controls.

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
CASH ASSISTANCE:		
<u>U.S. Department of Housing and Urban Development / Pass through the Puerto Rico Public Housing Administration</u>		
Public and Indian Housing	14.850	\$1,386,203
<u>U.S. Department of Education / Pass through the Puerto Rico Department of Education</u>		
Twenty-first Century Community Learning Centers	84.287	<u>754,808</u>
		<u>\$2,141,011</u>

See notes to schedule of expenditures of federal awards.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

1. BASIS OF PRESENTATION

The supplementary Schedule of Expenditures of Federal Awards (the Schedule) has been prepared using the receipts and disbursement method of accounting. It is drawn primarily from the accounting records of the Puerto Rico Department of the Treasury related to the SRD, which are the basis for the preparation of the SRD's Statement of Receipts and Disbursements. The information on this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

2. RELATIONSHIP TO THE STATEMENT

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



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Admitted in the State of New Jersey

Honorable Henry Newmann Zayas
Secretary
Sports and Recreation Department
San Juan, Puerto Rico

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

We have audited the Statement of Receipts and Disbursements (the Statement) of the Sports and Recreation Department of the Commonwealth of Puerto Rico (the SRD) for the year ended June 30, 2009, and has issued our report thereon dated March 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the Statement discloses that, as described in Note 1 to the Statement, the SRD prepares its Statement on a cash receipts and disbursement basis 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, we considered the SRD's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the SRD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SRD's internal control over financial reporting.

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Honorable Henry Newmann Zayas
Secretary
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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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects SRD's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the basis of accounting described in Note 1 to the Statement such that there is more than a remote likelihood that a misstatement of the SRD's financial statement that is more than inconsequential will not be prevented or detected by the SRD's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 09-01 and 09-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Statement will not be prevented or detected by the SRD's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SRD's Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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. 09-01 and 09-02.

Honorable Henry Newmann Zayas
Secretary
Sports and Recreation Department
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)**

Compliance and Other Matters (continued)

We also noted certain other matters that we reported to management of the SRD in a separate letter dated March 24, 2010.

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

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

Torres Rompart, Sánchez Ruiz LLP

March 24, 2010
License No. 221
San Juan, Puerto Rico

The stamp number 2475377 was
affixed to the original of this report.



Torres Llompart, Sánchez Ruiz LLP

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Honorable Henry Newmann Zayas
Secretary
Sports and Recreation Department
San Juan, Puerto Rico

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

Compliance

We have audited the compliance of the Sports and Recreation Department of the Commonwealth of Puerto Rico (the SRD) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The SRD's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the SRD's management. Our responsibility is to express an opinion on the SRD's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the SRD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the SRD's compliance with those requirements.

As described in Finding No. 09-02 in the accompanying schedule of findings and questioned costs, the SRD did not comply with the special tests and provisions requirement that is applicable to one of its major programs, as follows:

Honorable Henry Newmann Zayas
Secretary
Sports and Recreation Department
San Juan, Puerto Rico

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

Compliance (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>	<u>Major Program</u>
09-02	Special tests and Provisions	CFDA 84.287 Twenty-first Century Community Learning Centers.

Compliance with such requirement is necessary, in our opinion, for the SRD to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described above, the SRD complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding No. 09-01.

Internal Control over Compliance

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

Honorable Henry Newmann Zayas
Secretary
Sports and Recreation Department
San Juan, Puerto Rico

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

Internal Control over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 09-02 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider all significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

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

Honorable Henry Newmann Zayas
Secretary
Sports and Recreation Department
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)**

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

Forres Blompart, Sánchez Ruiz LLP

March 24, 2010
License No. 221
San Juan, Puerto Rico

The stamp number 2475378 was
affixed to the original of this report.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

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 disbursement method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Additionally, the report includes a paragraph on emphasis of matters.
2. Significant deficiencies on internal control over financial reporting were identified, all of which are considered material weaknesses.
3. A significant deficiency on internal control over compliance with a requirement applicable to a major federal award program was identified, which is considered a material weakness.
4. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed the following types of opinions on each major program:
 - a. Unqualified
CFDA 14.850 Public and Indian Housing
 - b. Qualified
CFDA 84.287 Twenty-First Century Learning Centers
5. The SRD 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 \$300,000 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
SPORTS AND RECREATION DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

FINDING NO. 09-01 ACCOUNTING RECORDS

Programs

State and all federal financial assistance programs

Category

Internal control

Compliance requirement

Special tests and provisions

Condition found

During our audit procedures for the fiscal year ended June 30, 2009, we noted that the Sports and Recreation Department (SRD) did not maintain a general ledger to integrate the subsidiary ledgers of its governmental fund types. Accordingly, the SRD was unable to prepare monthly financial statements. Monthly financial statements are necessary to assess the SRD's financial operational results, which is imperative to enable timely, effective, and efficient management decisions.

Additionally, the SRD did not maintain adequate budgeting policies and procedures, and had inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end closing procedures. The Treasury Department of the Commonwealth of Puerto Rico provides accounting services to the SRD through their accounting system (PRIFAS). The following deficiencies related to the accounting procedures and financial reporting practices were noted during our audit:

- Our review of the procedures followed regarding the use of the budget as a control tool revealed that budget versus actual comparisons were not prepared to evaluate SRD's performance. The financial management system shall establish a relation of financial information with performance or productivity data, including the production of unit cost information whenever appropriate. A budget is a plan for the future operations of an organization. It is based on past experience and management's intentions or expectations of future conditions that will affect the entity. It allows management to plan the actions necessary for achieving desired or anticipated results. The SRD's record-system should provide a mechanism to ensure that costs do not exceed the budgeted level for each program activity or other budget category.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

FINDING NO. 09-01 ACCOUNTING RECORDS (CONTINUED)

Condition found (continued)

The record-system must maintain cumulative expenditures, provide information for comparison of budgeted and actual costs and determine amounts available for future expenditures. As an additional step in grantee resource management, SRD's officials should periodically review the status of planned expenditures. If a function or activity does not require the amount originally budgeted and the Federal agency or the terms of the grant agreement permit, the balance can be reallocated to other activities.

- We noted that the SRD's payroll subsidiary ledgers are not reconciled with the PRIFAS' GL-015 report received from the Puerto Rico Department of the Treasury. Accordingly, existing policies and procedures do not ensure: 1) that subsidiary ledgers are being reconciled properly; 2) that reconciliations are reviewed by supervisory personnel, and 3) the detection, on a timely basis, of any significant adjustment that may be material to the financial statements.

Criteria

24 CFR Section 85.20 and 44 CFR Section 13.20 (a) and (b) (1) (2) and (4) establish that:

- a. A state must expend 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 those of its sub grantees 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 these funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

FINDING NO. 09-01 ACCOUNTING RECORDS (CONTINUED)

Criteria (continued)

- b. The financial management systems of the grantees and sub grantees 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 sub grant.
 - ii. Accounting records - Grantees and sub grantees must maintain records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or sub grant 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

Effect

The lack of adequate fiscal control and accounting procedures prevents the SRD from having accurate, current, and complete disclosure of the financial statements of financially assisted activities in accordance with the requirements of the grant agreements.

Questioned costs

None

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

FINDING NO. 09-01 ACCOUNTING RECORDS (CONTINUED)

Recommendations

We recommend the SRD to implement a general ledger accounting system to integrate the subsidiary ledgers of its governmental fund types and account groups. Each subsidiary ledger should be reconciled to the general ledger on a monthly basis. This would allow the SRD to prepare monthly financial statements. Also, the accounting personnel must be closely supervised to ensure the accuracy of the financial reports.

The SRD shall revise its accounting practices and policies to provide for an accurate financial reporting system. This will require a sophisticated plan in coordination with the Puerto Rico Department of the Treasury for the implementation of an accounting and financial management system that permits the preparation of financial information and reports required by the different oversight entities. This plan should consider, among other things, the following:

- The changes and developments in the governmental accounting industry and their impact on the financial and operational practices of the SRD.
- The integration, extraction and conversion of the personnel and payroll data.

We also recommend the SRD to compare budget information to actual results of operations on a regular basis and to investigate the cause of significant variances, so that corrective action could be taken, if necessary.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

FINDING NO. 09-02 PARTICIPATION OF PRIVATE SCHOOL CHILDREN

Federal program

CFDA 84.287 Twenty – first Century Community Learning Centers

Category

Compliance / Internal control

Compliance requirement

Special tests and provisions – Participation of private school children

Condition found

We noted that for the Twenty-first Century Community Learning Centers program the Sport and Recreation Department of the Commonwealth of Puerto Rico (SRD) accounting records (PRIFAS) are not sufficiently expanded to account for the relative share of enrolled students in public and private schools.

Accordingly, we were unable to determine if for this program the expenditures were equal on a per-pupil basis for students in public and private schools. This condition arises because the SRD recorded the funds distributed to public and private schools students, teachers and other educational personnel in a single account.

Criteria

34 CFR Section 299.7 establish that expenditures for services and benefits to eligible private school children and their teachers and other educational personnel must be equal on a per-pupil basis to the expenditures for participating public school children and their teachers and other educational personnel, taking into account the number and educational needs of the children, teachers and other educational personnel to be served.

34 CFR Section 80.20 (a) (2) indicates that a State must expand and account for grant funds sufficiently to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

**COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

**FINDING NO. 09-02 PARTICIPATION OF PRIVATE SCHOOL CHILDREN
(CONTINUED)**

Effect

There is no audit trail to determine whether the SRD provided equitable educational services to eligible participants in private schools. Noncompliance with the above mentioned requirement could lead to administrative sanctions by the grantor, including disallowances of costs. It could also be interpreted as a failure to achieve the program's objectives.

Questioned costs

Could not be determined

Recommendation

We recommend the SRD to establish policies and procedures to maintain statistical data on a per-pupil basis for public and private school students, teachers and other educational personnel, taking into consideration their numbers and needs. These shall provide the necessary means to verify compliance with applicable requirements at all times. Also, we recommend the SRD to expand the chart of accounts to provide for a separate identification based on the relative share of enrolled students in public and private schools.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2009

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
08-01	2005 2006 2007	2004	<p><u>ACCOUNTING RECORDS</u></p> <p>Category</p> <p>Internal control</p> <p>Compliance requirement</p> <p>Special tests and provisions</p> <p>Condition found</p> <p>During our audit procedures for the fiscal year ended June 30, 2008, we noted that the Sports and Recreation Department (SRD) did not maintain a general ledger to integrate the</p>	14,850 16,738 84,287	We are still in the process of implementing the MIP "Fund Accounting" System. We expect the condition to be fixing once the system implementation is complete.	Partially Completed Expected to be completed during the 2009-2010 fiscal year.	<p>Mr. Juan Ríos, Administration Auxiliary Secretary (787) 728-1927</p> <p>Mrs. Maria C. Ortiz Navarro, Finance Division Director (787) 721-9149</p> <p>Mrs. Aida I. Massa, Auxiliary,</p>

Henry E. Jarama

Principal Functionary Signature or Respective Representative

3/24/10
Date

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>subsidiary ledgers of its governmental fund types. Accordingly, the SRD was unable to prepare monthly financial statements. Monthly financial statements are necessary to assess the SRD's financial position, which is imperative to enable timely, effective, and efficient management decisions.</p> <p>Additionally, the SRD did not maintain adequate budgeting policies and procedures, and had inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end closing procedures. The Treasury Department of the Commonwealth of Puerto Rico provides accounting services to the SRD through their accounting system (PRIFAS). The following deficiencies related to the accounting procedures and financial reporting practices were noted</p>				<p>Budget and Planning Office Auxiliary Director (787) 721-9184</p>

Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>during our audit:</p> <ul style="list-style-type: none"> Our review of the procedures followed regarding the use of the budget as a control tool revealed that budget versus actual comparisons were not prepared to evaluate SRD's performance. The financial management system shall establish a relation of financial information with performance or productivity data, including the production of unit cost information, whenever appropriate. A budget is a plan for the future operations of an organization. It is based on experience and management's intentions or expectations of future conditions that will affect the entity. It allows management to plan the actions necessary for achieving desired or 				

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COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>anticipated results. The SRD's record-system should provide a mechanism to ensure that costs do not exceed the budgeted level for each program activity or other budget category.</p> <p>The record-system must maintain cumulative expenditures, provide information for comparison of budgeted and actual costs and determine amounts available for future expenditures. As an additional step in grantee resource management, SRD's officials should periodically review the status of planned expenditures. If a function or activity does not require the amount originally budgeted and the Federal agency or the terms of the grant agreement permit, the balance can be reallocated to other</p>				

Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT
STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>activities.</p> <ul style="list-style-type: none"> We noted that the SRD's payroll subsidiary ledgers are not reconciled with the PRIFAS' GL-015 report received from the Puerto Rico Department of the Treasury. Accordingly, existing policies and procedures do not ensure: 1) that subsidiary ledgers are being reconciled properly; 2) that reconciliations are reviewed by supervisory personnel; and 3) the detection, on a timely basis, of any significant adjustment that may be material to the financial statements. 				

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Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
08-02	2005 2006 2007	2004	<u>PROCUREMENT AND SUSPENSION AND DEBARMENT</u> Federal program Public and Indian Housing Program Category Compliance / Internal control Compliance requirements Procurement and suspension and debarment	14.850	We are in the process of enforcing our acquisition policies and procedures to conform with federal and state laws and regulations. This is being performed through evaluations and recommendations of internal audit reports. The exceptions noted that are identify with the letter (A); represented disbursements for services acquired through contracts. The account object description that was allocated for the payment of these services was <i>Services Purchased</i> instead of <i>Professional Services</i> . This situation was	Completed	Mr. Juan Rios, Administration Auxiliary Secretary (787) 728-1927 Mrs. Marfa C. Ortiz Navarro, Finance Division Director (787) 721-9149 Mr. Jorge Torres Zone Press Program

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT
STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number						
			<p>Condition found</p> <p>In testing compliance and internal controls over cost allowability and procurement and suspension and debarment requirements, we selected 43 disbursements from the programs listed below (excluding those related to payroll and fringe benefits expenditures) that totaled \$784,681. The distribution of these disbursements was as follows:</p> <table style="margin-left: 40px;"> <tr> <td><u>Program</u></td> <td><u>Percentage Tested</u></td> </tr> <tr> <td>Public and Indian Housing</td> <td>48.36%</td> </tr> <tr> <td>21st Century Comm.</td> <td>96.41%</td> </tr> </table>	<u>Program</u>	<u>Percentage Tested</u>	Public and Indian Housing	48.36%	21 st Century Comm.	96.41%		<p>determent for the exception notification because the auditors evaluated it as a purchase instead of a service acquired, even though it was a professional service.</p> <p>The state government procedures established to obtain professional services through contracts does not required quotes or bids. Proposals, although recommended for services rendered, are not required to comply with the government process.</p> <p>However, instructions will be given to correct the account object assign to the services acquired. In addition, instructions will be given in order to obtain a proposal from the</p>		Director (787) 396-8383
<u>Program</u>	<u>Percentage Tested</u>												
Public and Indian Housing	48.36%												
21 st Century Comm.	96.41%												

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COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>The legend of the exceptions noted is as follows:</p> <p>A. Quote, bid or proposal was not available for examination.</p> <p>B. Only one quote was available for examination without letter of exclusivity.</p> <p>For the Public and Indian Housing Program (CFDA No. 14.850), we noted the following:</p>		<p>organization rendering services to the programs.</p> <p>For the exceptions noted that are identified with the letter (B), the following paragraphs explains the incidents.</p> <p>For voucher # 08001027:</p> <p>It was an informal bid (DRD I-08-0023) where 16 bidders were invited to participate. One (1) offer was received out of the 16 bidders, and it was rejected. Therefore, a re-announce bid was perform (DRD I-08-0023R). For the re-announced bid, 14 bidders were invited, only two (2) attended, and just one</p>		

Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT
STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear finding	Findings					CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			Voucher Number	Voucher Date	Amount	A	B				
			08001027	1/30/2008	\$17,212		X				
			08001285	2/29/2008	\$9,844		X				
			08001295	3/07/2008	\$7,798		X				
			08001298	2/29/2008	\$990		X				
			08002620	8/30/2007	\$14,900	X					
			08004235	2/12/2008	\$2,800	X					
			08AP2268	7/5/12007	\$14,200	X					
			08AP2350	8/01/2007	\$9,500	X					
							4	4	\$	87,244	

submitted an offer.
Therefore, we understand the Purchase Division did comply with the due Purchasing process, since it is established in the Acquisition Regulations (Article 85, Section 85.1, Sub-section C of Purchase to the only bidder) that procurement can be made if even though various bidders were present but only one was willing to bid.
For voucher # 08001285 and #08001295:
An informal bid (DRD 1-08-0006) was performed where 3 bidders were invited (the only 3 bidders registered

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COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>The exceptions mentioned above are the result of: a) deficiencies of the filing system, which does not provide for immediate identification or retrieval 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>in the <i>Only Bidders Register</i> of the General Services Administration). The Purchase Division received one offer, and later that offer was retired since the company who offered could not supply the equipment demanded. Therefore, the Purchasing Division proceeded to acquire the equipment through <i>Open Market</i>. Under this process, just one bid was received and the bidder was not listed in the <i>Only Bidders Register</i>. The Purchase Division requested an exemption (September 20, 2007) from the General Services Administration to continue with the purchasing process. This exemption was granted by the Administrator (September 26, 2007), therefore</p>		

Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT
STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
					<p>complying with the process established by this agency. For voucher #08001298: It was provided to the auditors all the documentation that validates that a proper procedure was performed to execute this purchase.</p>		

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COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
08-03	N/A	2008	<p><u>PARTICIPATION OF PRIVATE SCHOOL CHILDREN</u></p> <p>Federal program</p> <p>21st Century Community Learning Centers</p> <p>Category</p> <p>Compliance / Internal control</p> <p>Compliance requirement</p> <p>Special tests and provisions -- Participation of private school children</p> <p>Condition found</p>	84.287	We will establish a system that provide us accurate and timely information in order to control how the expenditures are being distributed, to ascertain that eligible private school students and public school students expenditures are distributed equally on a per-pupil basis.	To be completed during 2009-2010 fiscal year.	<p>Mr. Angel Toro, Sub-Secretary (787) 721-8271</p> <p>Mrs. Jennifer Aponle, 21st Century Comm. Learning Center Program Director (787) 721-2800 Ext.1229</p>

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>We noted that for the Twenty-first Century Community Learning Centers program the Sport and Recreation Department of the Commonwealth of Puerto Rico (SRD) accounting records (PRIFAS) are not sufficiently expanded to account for the relative share of enrolled students in public and private schools.</p> <p>Accordingly, we were unable to determine if for this program the expenditures were equal on a per-pupil basis for students in public and private schools. This condition arises because the SRD recorded the funds distributed to public and private schools students, teachers and other educational personnel in a single account.</p>				

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Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
08-04	2007 2008	2006	<p><u>SINGLE AUDIT</u></p> <p>Category</p> <p>Compliance</p> <p>Compliance requirement</p> <p>Special tests and provisions</p> <p>Condition found</p> <p>The Single Audit Report for the year ended June 30, 2008 was not submitted to the Federal Clearinghouse within the nine (9) months period after the fiscal year-end.</p> <p>This condition occurred because SRD did not</p>	N/A	For the 2009 Single Audit, we are responding appropriately so the single audit report is submitted timely to the corresponding agencies, as established in the OMB A-133 Circular Letter.	Completed	Mr. Juan Rios, Administration Auxiliary Secretary (787) 728-1927

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

STATUS OF PRIOR YEAR AUDIT FINDINGS
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			contract to have its audit performed on a timely manner in order to comply with the applicable requirement.				

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CORRECTIVE ACTION PLAN

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2009

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
09-01			<p><u>ACCOUNTING RECORDS</u></p> <p>Category</p> <p>Internal control</p> <p>Compliance requirement</p> <p>Special tests and provisions</p> <p>Condition found</p> <p>During our audit procedures for the fiscal year ended June 30, 2008, we noted that the Sports and Recreation Department (SRD) did not maintain a general ledger to integrate the</p>	14.850 84.287	We are still in the process of implementing the MIP "Fund Accounting" System. We expect the condition to be fixing once the system implementation is complete.	Partially Completed Expected to be completed during the 2009-2010 fiscal year.	<p>Mr. Juan Ríos, Administration Auxiliary Secretary (787) 728-1927</p> <p>Mrs. Maria C. Ortiz Navarro, Finance Division Director (787) 721-9149</p> <p>Mrs. Aida I. Massa, Auxiliary,</p>

Amy E. Yama

Principal Functionary Signature or Respective Representative

3/16/10

Date

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>subsidiary ledgers of its governmental fund types. Accordingly, the SRD was unable to prepare monthly financial statements. Monthly financial statements are necessary to assess the SRD's financial position, which is imperative to enable timely, effective, and efficient management decisions.</p> <p>Additionally, the SRD did not maintain adequate budgeting policies and procedures, and had inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end closing procedures. The Treasury Department of the Commonwealth of Puerto Rico provides accounting services to the SRD through their accounting system (PRIFAS). The following deficiencies related to the accounting procedures and financial reporting practices were noted</p>				<p>Budget and Planning Office Auxiliary Director (787) 721-9184</p>

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COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>during our audit:</p> <ul style="list-style-type: none"> Our review of the procedures followed regarding the use of the budget as a control tool revealed that budget versus actual comparisons were not prepared to evaluate SRD's performance. The financial management system shall establish a relation of financial information with performance or productivity data, including the production of unit cost information whenever appropriate. A budget is a plan for the future operations of an organization. It is based on experience and management's intentions or expectations of future conditions that will affect the entity. It allows management to plan the actions necessary for achieving desired or 				

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COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>anticipated results. The SRD's record-system should provide a mechanism to ensure that costs do not exceed the budgeted level for each program activity or other budget category.</p> <p>The record-system must maintain cumulative expenditures, provide information for comparison of budgeted and actual costs and determine amounts available for future expenditures. As an additional step in grantee resource management, SRD's officials should periodically review the status of planned expenditures. If a function or activity does not require the amount originally budgeted and the Federal agency or the terms of the grant agreement permit, the balance can be reallocated to other</p>				

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Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>activities.</p> <ul style="list-style-type: none"> We noted that the SRD's payroll subsidiary ledgers are not reconciled with the PRIFAS' GL-015 report received from the Puerto Rico Department of the Treasury. Accordingly, existing policies and procedures do not ensure: 1) that subsidiary ledgers are being reconciled properly; 2) that reconciliations are reviewed by supervisory personnel, and 3) the detection, on a timely basis, of any significant adjustment that may be material to the financial statements. 				

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Initials

COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
09-02			<p><u>PARTICIPATION OF PRIVATE SCHOOL CHILDREN</u></p> <p>Federal program</p> <p>21st Century Community Learning Centers</p> <p>Category</p> <p>Compliance / Internal control</p> <p>Compliance requirement</p> <p>Special tests and provisions – Participation of private school children</p> <p>Condition found</p>	84.287	We will establish a system that provide us accurate and timely information in order to control how the expenditures are being distributed, to ascertain that eligible private school students and public school students expenditures are distributed equally on a per-pupil basis.	To be completed during 2009-2010 fiscal year.	<p>Mr. Angel Toro, Sub-Secretary (787) 721-8271</p> <p>Mrs. Jennifer Aponte, 21st Century Comm. Learning Center Program Director (787) 721-2800 EXL1229</p>

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COMMONWEALTH OF PUERTO RICO
SPORTS AND RECREATION DEPARTMENT

CORRECTIVE ACTION PLAN
SINGLE AUDIT FOR THE YEAR ENDING ON JUNE 30, 2008

Finding Number	Year finding repeated	First year appear Finding	Findings	CFDA Number	Corrective Action	Status	Responsible Functionary And Contact Number
			<p>We noted that for the Twenty-first Century Community Learning Centers program the Sport and Recreation Department of the Commonwealth of Puerto Rico (SRD) accounting records (PRIFAS) are not sufficiently expanded to account for the relative share of enrolled students in public and private schools.</p> <p>Accordingly, we were unable to determine if for this program the expenditures were equal on a per-pupil basis for students in public and private schools. This condition arises because the SRD recorded the funds distributed to public and private schools students, teachers and other educational personnel in a single account.</p>				

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Initials