

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
FISCAL YEAR ENDED JUNE 30, 2010
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FINANCIAL SECTION

Independent Auditors' Report

Honorable Yanitsia Irizarry Méndez
Secretary of the Department of the Family
San Juan, Puerto Rico

We have audited the accompanying Statement of Cash Receipts and Disbursements (the "Statement") of the Department of the Family of the Commonwealth of Puerto Rico (the "PRDF") for the year ended June 30, 2010. This Statement is the responsibility of the PRDF'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 A to the Statement, the PRDF prepares its Statement on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Department of the Family of the Commonwealth of Puerto Rico for the year ended June 30, 2010, in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards* we have also issued our report dated December 30, 2010, on our consideration of the PRDF's internal control over financial reporting and on our test 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 or on compliance and the result 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the PRDF's Statement of Cash Receipts and Disbursements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of providing additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the Statement of the PRDF. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the Statement. The 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.

As discussed in the Note E to the Statement, the PRDF has expended certain federal grants funds in a manner that may have violated certain of the restrictive provisions of the related grants. The possible outcome of this matter is uncertain at this time. If expenditures are disallowed as a result of this situation, the PRDF may be subject to possible federal claims for refunds of grants monies and the imposition of several remedies or enforcement actions, as more fully explained in Note E to the Statement.

December 30, 2010

Aquino, De Cordova, Alfaro & Co. LLP



Aquino, De Córdoba, Alfaro & Co., LLP

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part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the PRDF's Statement of Cash Receipts and Disbursements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of providing additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the Statement of the PRDF. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the Statement. The 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.

As discussed in the Note E to the Statement, the PRDF has expended certain federal grants funds in a manner that may have violated certain of the restrictive provisions of the related grants. The possible outcome of this matter is uncertain at this time. If expenditures are disallowed as a result of this situation, the PRDF may be subject to possible federal claims for refunds of grants monies and the imposition of several remedies or enforcement actions, as more fully explained in Note E to the Statement.

December 30, 2010

Aguiño, De Cordova, Affanero, LLP

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COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Receipts			
Grants and contributions	\$ -	\$ 2,469,956,452	\$ 2,469,956,452
Legislative appropriations and other assignments	<u>351,427,329</u>	<u>-</u>	<u>351,427,329</u>
	<u>351,427,329</u>	<u>2,469,956,452</u>	<u>2,821,383,781</u>
Disbursements			
Personnel:			
Salaries and fringe benefits:			
Regular employees	183,028,548	96,681,959	279,710,507
Transitory employees	15,954,458	838,989	16,793,447
Irregular employees	<u>862,217</u>	<u>1,115,714</u>	<u>1,977,931</u>
	<u>199,845,223</u>	<u>98,636,662</u>	<u>298,481,885</u>
Non-personnel:			
Advertising	1,068,429	744,265	1,812,694
Capital outlays	653,695	1,452,188	2,105,883
Donations, grants and other distributions	83,234,666	2,340,601,434	2,423,836,100
Facilities and utilities	6,267,349	2,902,557	9,169,906
Materials	1,585,982	1,285,270	2,871,252
Miscellaneous services	37,182,592	11,185,154	48,367,746
Operating transfers	4,783,571	4,996,348	9,779,919
Other	3,255,570	4,141,634	7,397,204
Payment of prior years' liabilities	1,064,592	-	1,064,592
Professional services	11,541,063	12,649,583	24,190,646
Transportation and subsistence	<u>2,317,412</u>	<u>902,827</u>	<u>3,220,239</u>
	<u>152,954,921</u>	<u>2,380,861,260</u>	<u>2,533,816,181</u>
	<u>352,800,144</u>	<u>2,479,497,922</u>	<u>2,832,298,066</u>
Deficiency of receipts over disbursements	<u>\$ (1,372,815)</u>	<u>\$ (9,541,470)</u>	<u>\$ (10,914,285)</u>

See accompanying notes to Statement of Cash Receipts and Disbursements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Department of the Family (the PRDF) is an executive agency of the Commonwealth of Puerto Rico (the Commonwealth) created by Act No. 171 of June 30, 1968 and amended by the Reorganization Plan Number 1 of July 28, 1995. The PRDF is responsible for carrying out the programs directed towards the solution or mitigation of social problems in Puerto Rico, including social services programs with emphasis on the rehabilitation of individuals and on the interrelationships between individuals, families and the community.

Through its own actions or in coordination with other government or private organizations, the PRDF carries out programs of direct economic aid to needy persons, service for the welfare of children, youths and disabled persons, rehabilitation and training programs, community improvement projects, programs for providing employment to unemployed persons, guidance programs for individuals and families, and any other activity which leads to the social improvement of individuals as well as of families and communities. The Secretary of the PRDF is appointed by the Governor of the Commonwealth.

The PRDF, which has ten regional offices and at least one service office in each municipality of Puerto Rico, is organized as follows:

1. The Secretariat, which is responsible for the fiscal control, general administration, planning, coordination, supervision, and evaluation of the operations of the PRDF and its components. The Secretariat is responsible for documenting, evaluating and adjudicating all disability claims made to the Social Security - Disability Insurance by insured workers, their widows (if between 50 and 59 years old) and disabled dependents that are at least 18 years old. Additionally, the Secretariat facilitates the procedures to obtain information and provides counseling to the claimants.
2. The Families and Children Administration, which is responsible for promoting and supporting the efforts of individuals, families and communities contributing to its own development and that of the society. Accordingly, it facilitates social, educational, remedial and preventive services directed to achieving a better and more effective participation, equality and social justice.
3. The Child Support Enforcement Administration, which is responsible for procuring the compliance of the: i) non custodial parents of minors under 21 years; ii) the descendents of people older than 60 years; and iii) the people legally responsible for contributing to the support and welfare of the children of elderly parents, safeguarding their rights to receive alimony and increasing the auto-sufficiency of the families by applying the legal mechanisms available.
4. The Socioeconomic Development Administration, which is responsible for facilitating: i) the development of opportunities to socially and economically disadvantaged people to let them achieve self-sufficiency and integration to the social system in a productive way; and ii) the familiar and community common living.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. The Integral Care and Development of the Children Administration, which is responsible for ensuring the care and development of the minors that, participate in the Head Start Program and in the Child Care and Development Program.

The Secretary of the PRDF has oversight responsibilities over the Corporation of Industries of the Blind, Mentally Retarded, and Other Disabled People (the CIB), which is responsible for contributing to the social and economic rehabilitation of the blind and disabled people. Although the PRDF has oversight responsibilities over the CIB, it is not included in the accompanying Statement since its operations are subject to a separate financial or single audit, as applicable.

Basis of presentation

The accounts of the PRDF are organized in two fund types: a General Fund and a Special Revenue Fund. The PRDF maintains appropriation for several individual state and federal funds within each fund type. The General Fund is the general operating fund used to account for the funds appropriated by the Legislature of the Commonwealth of Puerto Rico and is the fund through which most functions are typically financed. The Special Revenue Fund accounts for federal financial assistance programs funded by the Federal Government that are legally restricted to expenditures for specific purposes.

Basis of accounting

The Statement of Cash Receipts and Disbursements has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, cash receipts and disbursements are recorded when cash is received or disbursed. Noncash transactions are not recognized in the Statement.

NOTE B - RETIREMENT PLANS

Defined benefit plan

All regular employees hired before January 1, 2003 and less than 55 years old at the date of employment are covered, and must participate, in the employee defined benefit retirement plan. The Plan is administered by the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities, and 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 PRDF contributes 9.275% of total gross salaries.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE B - RETIREMENT PLANS - CONTINUED

Defined contribution plan- continued

All: a) regular employees hired on or after January 1, 2001; b) former employees that participated in the defined benefit plan and received a refund of their contributions; c) employees who were rehired on or after January 1, 2003; and d) employees who at December 31, 1999 were participants of the defined benefit plan and irrevocably transferred their prior contributions to the defined benefit plan, are covered, and must participate, in the employee defined contribution retirement plan administered by the Employees' Retirement System of the Government of Puerto Rico and its instrumentalities. Employees must contribute 8.275% of their monthly gross salary to the program and may elect to increase their contribution up to 10%. The PRDF contributes 9.275% of total gross salaries.

Upon retirement the employee's account balance will be used to purchase an annuity contract which will provide for a monthly benefit payable to the participant during his/her life. Upon death of the participant, 50% of such benefit will be paid to the participant's beneficiary. Participants with a balance of \$10,000 or less at retirement will receive a lump-sum payment. In the case of death, this lump-sum payment will be made to his/her beneficiaries. Participants have the option of receiving a lump-sum payment or purchasing an annuity contract in case of permanent disability.

Total employer contributions made to both employee benefit plans during the years ended June 30, 2010, 2009 and 2008 amounted to approximately \$19.8 million, \$20.9 million and \$19 million, respectively.

NOTE C - COMPENSATED ABSENCES

Regular employees accrue vacation and sick leave of 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.

NOTE D - INDIRECT COST ALLOCATION PLAN

The United States Department of Health and Human Services (the "HHS"), the Audit Cognizant Agency, approves the rates used by the PRDF to allocate qualified types of expenditures from state funds to federal financial assistance programs. For the year ended June 30, 2010, rates in the indirect cost allocation plan approved by HHS ranged from 8% to 18.5%.

NOTE E - CONTINGENCIES

Litigation

The PRDF is a defendant in lawsuits arising in the normal course of operations, principally from claims for alleged damages. According to the laws of the Commonwealth, the PRDF is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against the PRDF. Any claims with negative financial impact would be paid from the General Fund of the Commonwealth, with no effect on the budget or resources of the PRDF.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE E - CONTINGENCIES - CONTINUED

Federal awards

The PRDF 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 PRDF may be required to reimburse the grantors.

On March 26, 2010, the PRDF submitted a corrective action plan as a result of prior audits findings. Total questioned costs included in the single audit reports for the years ended June 30, 2009, 2008, 2007 and 2006, amounted to \$3,470,455, \$24,894,257, \$13,967,692 and \$19,707,010, respectively. The outcome of these findings and related programs determinations are uncertain at this time. The PRDF is engaged in an ongoing settlement process with the HHS over potential claims arising from a variety of audits and program reviews over the last several years. None of these potential claims have been asserted or threatened. The settlement of the claims could require a potential payment in an amount that could be material.

The Independent Auditors' Report in the accompanying compliance section on pages 13 through 19 disclose several material weaknesses and significant deficiencies over both financial reporting and programmatic controls including instances of noncompliance with applicable laws and regulations. Additionally, the accompanying Schedule of Findings and Questioned Costs includes questioned costs amounting to \$1,560,386.

The PRDF is also audited by the Office of the Comptroller for Puerto Rico (the "Comptroller") and the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS). The Comptroller and the OIG have issued several reports on audits over the operations and management of several federal programs of the PRDF.

SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Federal Agency/Pass-Through Agency/Program Title</u>	<u>CFDA</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture / Pass-through the Puerto Rico Department of Education		
Child and Adult Care Food Program	10.558	\$ 5,517,886
U.S. Department of Agriculture		
<i>Nutrition Assistance Program for Puerto Rico Cluster:</i>		
Nutrition Assistance Program for Puerto Rico	10.566	1,655,740,358
Nutrition Assistance Program for Puerto Rico	10.566 ARRA	403,642,144
		2,059,382,502
<i>Emergency Food Assistance Program Cluster:</i>		
Emergency Food Assistance Program (Administrative Cost)	10.568	1,756,967
Emergency Food Assistance Program (Administrative Cost)	10.568 ARRA	1,424,439
Emergency Food Assistance Program (Commodities)	10.569	8,123,810
Emergency Food Assistance Program (Commodities)	10.569 ARRA	1,387,683
		12,692,899
U.S. Department of Housing and Urban Development		
Emergency Shelter Grants Program	14.231	4,106,582
Homelessness Prevention and Rapid Re-Housing Program	14.257	2,774,797
U.S. Department of Housing and Urban Development / Pass-through the Puerto Rico Housing Department		
Public and Indian Housing	14.850	1,187,557
U.S. Department of Labor		
Senior Community Service Employment Program	17.235	1,404,986
Youth Summer	17.256	119,145
U.S. Department of Health and Human Services		
Promoting Safe and Stable Families	93.556	6,508,272
Temporary Assistance for Needy Families	93.558	49,943,211
Family Support Payment to State-Assistance Payment	93.560	23,422,942
Child Support Enforcement	93.563	24,895,466
<i>CSBG Cluster:</i>		
Community Service Block Grant	93.569	34,576,374
Community Service Block Grant	93.569 ARRA	36,280,033
		70,856,407
Low-Income Home Energy Assistance	93.568	6,001,104

Continued

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Federal Agency/Pass-Through Agency/Program Title</u>	<u>CFDA</u>	<u>Federal Expenditures</u>
<i>CCDF Cluster:</i>		
Child Care and Development Block Grant	93.575	43,795,109
Child Care and Development Block Grant	93.713	<u>12,778,168</u>
		56,573,277
Community Based Family Resources Program	93.590	248,963
Access and Visitation Program Grant	93.597	99,253
Chafee Foster Care Independence Program	93.599	441,249
<i>Head Start Cluster:</i>		
Head Start	93.600	123,829,300
Head Start	93.708	<u>3,447,911</u>
		127,277,211
Children Justice Grants to States	93.643	34,348
Child Welfare Services - State Grants	93.645	6,861,649
Foster Care - Title IV-E	93.658	827,722
Social Services Block Grant	93.667	16,836,454
Child Abuse and Neglect – State Grants	93.669	249,075
Domestic Violence	93.671	1,218,529
Chafee Foster Care Independence Program	93.674	1,166,206
U.S. Corporation for National and Community Services		
Retired Senior Volunteers	94.002	159,480
U.S. Social Security Administration		
Social Security – Disability Insurance	96.001	8,189,364
U.S. Department of Homeland Security		
Disaster Grants – Public Assistance	97.036	12,879
Total Federal Award Expenditures		<u><u>\$2,489,009,415</u></u>

← Amount includes the value of commodities (Non-Cash Assistance)

See accompanying notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE A -BASIS OF ACCOUNTING

OMB Circular A-133 requires the auditee to prepare a schedule of federal awards for the period covered by the auditee's financial statement. Further, at a minimum, the schedule shall provide total federal awards expended for each individual federal program and Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The supplementary Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared using the cash basis of accounting. It is drawn primarily from the PRDF's internal accounting records, which are the basis for the PRDF's Statement of Cash Receipts and Disbursements (the "Statement").

The Schedule includes one program for which receipts and disbursements are in the form of non-cash items. These non-cash items are valued in accordance with the guidelines established by the United States Department of Agriculture. The transactions for this program were not included in the PRDF's Statement.

NOTE B -CLUSTER

The Schedule indentified some programs as clusters. A cluster of programs is comprised of federal programs with different CFDA numbers that are closely related programs and share common requirements.

NOTE C-TRANSFERABILITY

For purposes of the Schedule, the expenditures of the funds transferred from the Temporary Assistance for Needy Families (CFDA No. 93.558) to the Social Services Block Grant (CFDA No. 93.667) and to the Child Care and Development Block Grant (CFDA No. 93.575) in the amounts of \$3,909,194 and \$8,330,946 respectively, were included in the total expenditures of the receiving program.

NOTE D -RECONCILIATION WITH THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENT

The Schedule includes an amount used of the entitlement of Food Commodities received by PRDF from the Emergency Food Assistance Program. This amount is not included in the Statement of Cash Receipts and Disbursements. The total amount used of the entitlement received during the fiscal year ended June 30, 2010 was \$9,511,493.

Reconciliation between the Schedule and the Statement is as follows:

Schedule of Expenditures of Federal Awards	\$ 2,489,009,415
<i>Less:</i> Entitlement amount of Food Commodities	9,511,493
Federal expenditures per Statement of Cash Receipts and Disbursements	<u>\$ 2,479,497,922</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL AND ON
COMPLIANCE AND OTHER MATTERS**

**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**

Honorable Yanitsia Irizarry Méndez
Secretary of the Department of the Family
San Juan, Puerto Rico

We have audited the accompanying Statement of Cash Receipts and Disbursements (the "Statement") of the Department of the Family of the Commonwealth of Puerto Rico (the "PRDF") for the fiscal year ended June 30, 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 A to the Statement, the PRDF prepares its Statement on a cash 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 PRDF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement but not for the purpose of expressing an opinion on the effectiveness of the PRDF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the PRDF's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2010-02 through 2010-22.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies 2010-01 through 2010-22.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PRDF'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 provision 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 matter 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. 2010-01 through 2010-22.

The PRDF's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the PRDF's response and, accordingly, we do not express an opinion on it.

This report in intended solely for the information and use of the management and officials of the Puerto Rico Department of the Family, the Commonwealth of Puerto Rico, the United States Department of Health and Human Service (cognizant agency), 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.

December 30, 2010

Aquino, E. Cordova, affixed 1/6, 2011

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original report

A deficiency in internal control exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2010-02 through 2010-22.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies 2010-01 through 2010-22.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PRDF'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 provision 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 matter 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. 2010-01 through 2010-22.

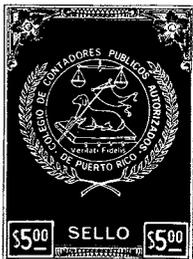
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December 30, 2010

Agustín de Córdoba, Alfaro & Co. P.A.

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De Córdoba, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**Independent Auditors' Report on Compliance
with Requirements that could have Direct and Material Effect
on each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Honorable Yanitsia Irizarry Méndez
Secretary of the Department of the Family
San Juan, Puerto Rico

Compliance

We have audited the Puerto Rico Department of the Family's (the "PRDF") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the PRDF's major federal programs for the fiscal year ended June 30, 2010. The PRDF's major federal programs are identified in the summary of the 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 PRDF's management. Our responsibility is to express an opinion on the PRDF'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 material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PRDF'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 PRDF's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs, the PRDF did not comply with requirements that are applicable to the following programs:

Finding number	Compliance requirement (s)	Program (s)	CFDA
2010-01	Special Test and Provisions	All programs	All programs
2010-02	Allowable cost/Cost principle	All programs	All programs
2010-03	Cash Management	Emergency Food Assistance Program Cluster Social Security – Disability Insurance	10.568, 10.568 ARRA 96.001
2010-04	Eligibility, Special Test and Provisions	Public and Indian Housing	14.850
2010-05	Matching, Level of Effort and Earmarking	Child Support Enforcement	93.563
2010-06	Matching, Level of Effort and Earmarking	Community Service Block Grant	93.569
2010-07	Activities Allowed or Unallowed, Allowable Costs/Cost principle, Procurement Suspension and Debarment	Public and Indian Housing	14.850
2010-08	Period of Availability	Social Service Block Grant	93.667
2010-09	Reporting	Social Services Block Grant	93.667
2010-10	Reporting	Child Support Enforcement	93.563
2010-11	Reporting	Community Services Block Grant	93.569
2010-12	Reporting	Head Start Program Child Care and Development Block Grant	93.600, 93.708 93.575, 93.713
2010-13	Reporting	Head Start Program	93.600
2010-14	Reporting	Child Care and Development Block Grant	93.713
2010-15	Reporting	Head Start Program	93.708
2010-16	Reporting	Nutrition Assistance Program for Puerto Rico	10.566, 10.566 ARRA
2010-17	Reporting	Emergency Food Assistance Program (Adm. Cost)	10.568
2010-18	Reporting	Social Security – Disability Insurance	96.001
2010-19	Reporting	Temporary Assistance for Needy Families Family Support Payment to States- Assistance Payments	93.558 93.560
2010-20	Reporting , Special Test and Provisions	Emergency Food Assistance Program (Commodities)	10.569, 10.569 ARRA
2010-21	Sub-recipient Monitoring	Community Services Block Grant	93.569, 93.569 ARRA
2010-22	Eligibility, Special Test and Provisions	Child Support Enforcement	93.563

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

In our opinion, except for the noncompliance described above, the PRDF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as finding 2010-01.

Internal Control Over Compliance

Management of the PRDF is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the PRDF's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the PRDF's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and question costs as Findings No. 2010-02 through 2010-22 to be material weaknesses.

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

in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2010-01 to be a significant deficiency.

The PRDF's responses to the findings indentified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the PRDF's responses and, accordingly, we express no opinion on the responses.

This report in intended solely for the information and use of the management and officials of the Puerto Rico Department of the Family, the Commonwealth of Puerto Rico, the United States Department of Health and Human Service (cognizant agency), 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.

December 30, 2010 *Aguino, de Cordova, Alfaro & Co. P.A.*

Stamp number 2572592
has been affixed to the
original report

The PRDF's responses to the findings indentified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the PRDF's responses and, accordingly, we express no opinion on the responses.

This report in intended solely for the information and use of the management and officials of the Puerto Rico Department of the Family, the Commonwealth of Puerto Rico, the United States Department of Health and Human Service (cognizant agency), 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.

December 30, 2010

Aquino, De Cordova, Alfaro & Co. LLP

2572592



Aquino, De Córdoba, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results

- 1- The independent auditors' report on the Statement of Cash Receipts and Disbursements expressed an unqualified opinion. In addition, it reported that such statement was prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- 2- Significant deficiencies on internal control over financial reporting were identified, some of which are considered material weaknesses.
- 3- Instances of noncompliance considered material to the financial statements were disclosed by the audit.
- 4- Reports issued on compliance with requirements applicable to major federal award programs expressed the following types of opinion on each major program:

CFDA	Program	Type of opinion
	<i>Nutrition Assistance Cluster:</i>	Qualified
10.566	Nutrition Assistance Program for Puerto Rico	
10.566ARRA	Nutrition Assistance Program for Puerto Rico	
	<i>Emergency Food Assistance Cluster:</i>	Qualified
10.568	Emergency Food Assistance Program (Administrative Cost)	
10.558 ARRA	Emergency Food Assistance Program (Administrative Cost)	
10.569	Emergency Food Assistance Program (Commodities)	
10.569 ARRA	Emergency Food Assistance Program (Commodities)	
14.850	Public and Indian Housing	Qualified
93.558	Temporary Assistance for Needy Families	Qualified
93.560	Family Support Payment to States- Assistance Payment	Qualified
93.563	Child Support Enforcement	Qualified
	<i>CSBG Cluster:</i>	Qualified
93.569	Community Service Block Grant	
93.569 ARRA	Community Service Block Grant	
	<i>CCDF Cluster:</i>	Qualified
93.575	Child Care and Development Block Grant	
93.713	Child Care and Development Block Grant	
	<i>Head Start Cluster:</i>	Qualified
93.600	Head Start	
93.708	Head Start	
93.667	Social Service Block Grant	Qualified
96.001	Social Security- Disability Insurance	Qualified

- 5- The audit disclosed findings required to be reported under the OMB Circular A-133.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Auditors' Results - continued

- 6- A threshold of \$7,467,028 was used to distinguish between Type A and Type B program as those term are defined in OMB Circular A-133.
- 7- The PRDF did not qualify as a low-risk auditee as this term is defined in OMB Circular A-133.
- 8- The PRDF's major programs were the followings:

CFDA	Program	Questioned Costs
<i>Nutrition Assistance Cluster:</i>		
10.566	Nutrition Assistance Program for Puerto Rico	
10.566ARRA	Nutrition Assistance Program for Puerto Rico	
<i>Emergency Food Assistance Cluster:</i>		
10.568	Emergency Food Assistance Program (Administrative Cost)	
10.558 ARRA	Emergency Food Assistance Program (Administrative Cost)	
10.569	Emergency Food Assistance Program (Commodities)	
10.569 ARRA	Emergency Food Assistance Program (Commodities)	
14.850	Public and Indian Housing	
93.558	Temporary Assistance for Needy Families	
93.560	Family Support Payment to States- Assistance Payment	
93.563	Child Support Enforcement	\$1,560,386
<i>CSBG Cluster:</i>		
93.569	Community Service Block Grant	
93.569 ARRA	Community Service Block Grant	
<i>CCDF Cluster:</i>		
93.575	Child Care and Development Block Grant	
93.713	Child Care and Development Block Grant	
<i>Head Start Cluster:</i>		
93.600	Head Start	
93.708	Head Start	
93.667	Social Service Block Grant	
96.001	Social Security- Disability Insurance	

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-01</i>
Federal Program:	<i>All federal programs</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Special Test and Provisions</i>
Administration:	<i>The Secretariat, Administration for the Socioeconomic Development, Administration for Families and Children, Administration for the Integral Care and Development of the Children, Administration for the Child Support Enforcement</i>

Criteria

45 CFR 92.20 (a) and (b) (3) establishes that a State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: (1) permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Sections (b) (2), (3) and (6) of 7 CFR 3016.20 and 45 CFR 92.20 establish that 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. Effective control and accountability must be maintained for all grant and sub grant cash, real and personal property, and other assets. Accounting records must be supported by source documentation such as cancelled checks, paid bills, payroll time and attendance records, contract and sub grant award documents, etc.

20 CFR 437.2 – (b) (2) establish 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.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition

The PRDF maintains its accounting records in PRIFAS which is the official accounting system of the Commonwealth of Puerto Rico.

During our audit procedures for the year ended June 30, 2010, we noted the following related to the accounting policies, procedures, and financial reporting practices of the PRDF:

- There is a lack of a self-balancing set of accounts for each fund to record cash and other financial resources, related liabilities, residual equities or balances, and any related changes there in. The accounts are not segregated sufficiently to cover a specific activity or objective in accordance with special regulations, restrictions, or limitations.
- The PRDF has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end closing procedures. Many transactions are posted months after the applicable closing, with a retroactive effect. In this regard, a significant amount of journal vouchers is processed.
- The PRDF has inappropriate and/or incomplete budgeting control between grants award distribution and programmatic activities allocations. In various federal programs we were unable to verify its compliance with certain percentages limitations as required by applicable regulations.

Effect

The lack of adequate accounting and financial reporting practices and policies causes the PRDF to be unable to prepare accurate and complete financial reports.

Questioned costs

Could not be determined

Recommendation

The PRDF shall enhance its accounting and financial reporting practices and policies to provide for accurate and complete financial information. In coordination with the Department of Treasury of the Commonwealth of Puerto Rico (PRDT), the PRDF should implement an accounting and financial reporting system that permits the preparation of financial reports required by the different oversight entities including the need to supply information to the Commonwealth of Puerto Rico for its government wide reporting.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Recommendation- continued

The PRDF should perform monthly reconciliations of transactions recorded in the general ledger (PRIFAS) with the transactions recorded in the subsidiary ledger. Any reconciling item should be investigated and disposed of as deemed necessary, on a timely basis.

The PRDF should evaluate and expand the chart of accounts to provide for identification of the amount expended for each program separately. The expansion of the chart of accounts should 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 each program.

The PRDF should contact the Clearinghouse and the Federal agencies to ensure that the presentation of the financial statements prepared on a cash basis is acceptable.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-02</i>
Federal Program:	<i>All federal programs</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Allowable Cost/Cost Principle</i>
Administration:	<i>The Secretariat, Administration for Families and Children, Administration for the Child Support Enforcement</i>

Criteria

OMB Circular A-87 "Attachment 13 (8)(h) (3 and 4)" establishes that employees certificates must be obtained for employees whose salaries or wages have been charged to a federal program. If employees worked solely on one federal program and 100% of their salary or wages are charged to the program, PRDF must obtain a certification. These certifications shall be prepared at least semi-annually and should be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. This certification must be kept on the employee's file.

In addition, if employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- a) more than one federal award,
- b) a federal award and a non-federal award,
- c) an indirect cost activity and a direct cost activity,
- d) two or more indirect activities which are allocated using different allocation bases, or
- e) an unallowable activity and a direct or indirect cost activity.

Personnel activity reports or equivalent documentation must meet the following standards:

- a) they must reflect an after-the-fact distribution of the actual activity of each employee,
- b) they must account for the total activity for which each employee is compensated,
- c) they must be prepared at least monthly and must coincide with one or more pay periods,
and
- d) they must be signed by the employee.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition

We noted that the PRDF does not have adequate supporting documentation to substantiate payroll costs claimed for federal reimbursement. The PRDF has no established a process to obtain certifications from employees who work solely on a single federal program in order to verify that they spent 100% of their time on this federal program. No certifications were made for any employee throughout the fiscal year.

Effect

The PRDF is not in compliance with federal allowability guidelines to allocate employee salaries and wages to grants based on actual time spent by employees working on each program. In addition, inadequate documentation and lack of required certifications may result in the federal funds being expended for unallowable purpose.

Questioned costs

Could not be determined

Recommendation

We recommended the PRDF to implement procedures and controls to ensure that time and effort certifications are obligated from the employees at least a semi-annual, stating the percentage of time worked in a specific program during the period covered by the certification.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-03</i>
CFDA:	<i>10.568, 10.568 ARRA, 96.001</i>
Federal Program:	<i>Emergency Food Assistance Program(Administrative Costs) , Social Security- Disability Insurance</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Cash Management</i>
Administration:	<i>The Secretariat, Administration for Families and Children, Administration for the Socioeconomic Development</i>

Criteria

45 CFR Section 205.12 (b) (4) establishes that under the cash advance (pre-issuance or post-issuance) funding the Federal Program Agency transfers the actual amount of Federal funds to a State that will be paid out by the State, in a lump sum, not more than three business days prior to the day the State issues checks or initiates EFT payments.

Title 31—Money and Finance: Treasury—Chapter II—Fiscal Service, Department of The Treasury, Part 205—Rules and Procedures for Efficient Federal-State Funds Transfers, Subpart B—Rules Applicable to Federal Assistance Programs not included in a Treasury -State Agreement, Section 205.33.

- (a) A state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes. A Federal Program Agency must limit a fund transfer to a state to the minimum amounts needed by the state and must time the disbursement to be in accordance with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project. The timing and amount of fund transfers must be as close as is administratively feasible to a state’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to sub grantees in accordance with OMB Circular A-102.

Title 45—Public Welfare, Part 92—Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local and Tribal Governments, Subpart C—Post-Award Requirements, Section 92.20—Standards for Financial Management Systems.

- (a) (7) Cash Management. Procedures for minimizing the time elapsed between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on sub grantees cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Criteria – continued

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their sub grantees to ensure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Title 45—Public Welfare, Part 92—Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local, and Tribal Governments, Subpart C—Post-Award Requirements, Section 92.21—Payment

- (b) Basic standard. Method and procedures for payment shall minimize the time elapsing between transfer of funds and disbursement by the grantee, in accordance with treasury regulations at 31 CFR Part 205.

Condition

We reviewed the documentation supporting the clearance pattern to determine whether the PRDF followed the procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and their disbursement noting that the PRDF did not have effective cash management procedures to reduce the amount of time between the drawdown/request for federal funds and the disbursement of those funds. The following exceptions were noted:

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition – continued

Emergency Food Assistance Program

In sixteen (16) out of forty (40) reimbursement request transactions tested, we noted the PRDF did not reduce the time between the drawdown of Federal funds and its disbursement. The detail of transactions is as follows:

Voucher Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
10AP5089	7/16/2009	2329998	8/26/2009	\$ 14,500.00	000089	8/13/2009
10AP5090	7/16/2009	2329999	8/26/2009	\$ 4,350.00	000089	8/13/2009
10675233	8/19/2009	2338934	9/17/2009	\$ 44,600.00	000041	8/31/09
10001688	9/3/2009	2342430	9/25/2009	\$ 20,958.37	000147	9/16/09
10001721	9/18/2009	2352459	10/21/2009	\$ 2,299.00	000105	9/29/2009
10001793	10/27/2009	2363477	11/17/2009	\$ 950.00	000150	10/30/09
10675631	12/9/2009	2388336	1/21/2010	\$ 3,250.00	000138	12/29/2009
10001842	12/18/2009	2385322	1/13/2010	\$ 214,181.04	000109	1/4/10
10675663	12/28/2009	2402695	2/18/2010	\$ 91.17	000120	1/15/10
10676099	5/4/2010	2450681	5/25/2010	\$ 63,874.50	000152	5/10/10
10676100	5/4/2010	2455893	6/3/2010	\$ 55.25	000086	5/17/2010
10676107	5/6/2010	2455897	6/3/2010	\$ 87.75	000086	5/17/2010
10676145	5/10/2010	2461314	6/15/2010	\$ 9,748.50	000092	5/20/10
10676182	5/17/2010	2470777	6/29/2010	\$ 550.00	000140	5/28/2010
106A6146	5/11/2009	00000156	6/10/2010	\$ 4,100.00	000093	5/20/2010
10AP5147	7/29/2009	02330027	8/26/2009	\$ 100,000.00	000139/000089	8/14/2009

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition – continued

Social Security- Disability Insurance

In twenty-two (22) out of forty (40) reimbursement request transactions tested, we noted the Federal funds were received by the PRDF prior to the day the PRDF paid out the funds for Federal assistance program purposes. The detail of transactions is as follows:

Petition Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date	Days Elapsed
2681	1/5/2010	02399109	2/12/2010	\$ 6,580.00	000453	01/14/2010	29
2672	11/9/2009	02369936	12/8/2009	\$ 381.94	000492	11/10/2009	28
2625	4/28/2009	02319412	7/28/2009	\$ 365.00	001015	7/1/2009	27
2627	5/29/2009	02319694	7/28/2009	\$ 5,623.87	000174	07/09/2009	19
2627	7/6/2009	02321156	7/30/2009	\$ 248.75	000174	7/09/2009	21
2626	7/3/2009	02315552	7/5/2009	\$ 5,500.00	000835	7/2/2009	3
2626	6/30/2009	02319335	7/28/2009	\$ 2,875.00	000835	7/2/2009	26
2699	2/26/2010	0242856	5/4/2010	\$ 485.00	000692	3/03/2010	62
2626	7/3/2009	02315578	7/15/2009	\$ 7,620.00	000835	7/2/2009	13
2681	5/1/2010	02399109	2/12/2010	\$ 485.00	000453	1/14/2010	29
2626	7/1/2009	0234513	8/13/2009	\$ 348.75	000835	7/09/2009	35
2626	7/3/2009	02315576	7/15/2009	\$ 2,625.00	000835	7/2/2009	13
2626	6/29/2009	02319365	7/8/2009	\$ 250.00	000835	7/2/2009	6
2625	7/1/2009	02315714	7/16/2009	\$ 860.00	001015	7/1/2009	15
2681	12/28/2009	02387255	1/24/2010	\$ 6,779.00	000453	1/14/2010	10
2649	9/11/2009	02347289	10/7/2009	\$ 382.95	000495	9/16/2009	21
2708	5/5/2010	02454935	6/2/2010	\$ 422.50	000370	4/6/2010	57
2659	9/30/2009	02360601	11/9/2009	\$ 33.10	000432	10/8/2009	32
2626	7/1/2009	02324513	8/13/2009	\$ 375.00	000835	7/2/2009	42
2636	7/31/2009	02327451	8/20/2009	\$ 422.61	000566	8/5/2009	15
2627	7/6/2009	0232115-6	7/30/2009	\$ 248.75	000174	7/9/2009	21
2765	3/9/2010	02422818	3/30/2010	\$ 1,405.00	000361	12/27/2010	272

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Effect

The continuous occurrence of these conditions may result in the following:

- Due to the significant amount of federal funds received, the PRDF could be exposed to significant administrative sanctions by the grantor, including the assessment of interest cost on funds that were not disbursed within the required time;
- the Federal agencies may require that future payment requests be routed to an office of the Chief Financial Officer and/or HHS representative for approval;
- the program funds may be suspended;
- the PRDF may lose the ability to request reimbursement of federal funds for programs expenditures paid for with state funds; and
- the Federal Agencies may question the ability of the PRDF to manage federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements.

Questioned costs

Could not be determined

Recommendation

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

- Establish and implement written policies and procedures for all aspects of the programs, including controls for proper review and authorization during the processing of federal funds draw downs. Petition documents and its related supporting documentation shall be thoroughly reviewed before they are recorded and processed for refund. All fund petitions shall be properly authorized by the respective PRDF's representatives and shall be supported with all the required documentation.
- Provide adequate training to employees regarding each program requirements and proper claim for reimbursement processing procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-04</i>
CFDA:	<i>14.850</i>
Federal Program:	<i>Public and Indian Housing</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Eligibility, Special Tests and Provisions</i>
Administration:	<i>Administration for Families and Children</i>

Criteria

24 CFR 960.206 (a)(1) establishes that the PHA may adopt a system of local preferences for selection of families admitted to the PHA's public housing program. The PHA system of selection preferences must be based on local housing needs and priorities as determined by the PHA. In determining such needs and priorities, the PHA shall use generally accepted data sources. Such sources include public comment on the PHA plan, and the consolidated plan for the relevant jurisdiction.

24 CFR 960.206 (e) (1) establishes that the PHA must use the following to select among applicants on the waiting list with the same priority for admission: (i) date and time of application (ii) a drawing or other random choice technique (2) the method for selecting applicants must leave a clear audit trail that can be used to verify that each applicant has been selected in accordance with the method specified in the PHA plan.

Condition

During our examination of audit requirements related to the eligibility procedures for the Public and Indian Housing program participants we noted that the PRDF has not adopted a system of local preferences for the selection of families admitted to the PHA's public housing program.

In addition in one (1) of the forty (40) participants selected for examination we could not determine the age of the participant. As represented by the management this participant did not received services but it was reported to the Puerto Rico Department of Housing as participant by error.

Effect

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Questioned costs

Could not be determined

Recommendation

We recommend that written policies and procedures be established outlining: a) responsibilities for determining the participants' eligibility; b) documents required to be included in the participants' files; and c) proper monitoring or follow up procedures to ascertain participants' compliance with eligibility requirements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-05</i>
CFDA:	<i>93.563</i>
Federal Program:	<i>Child Support Enforcement</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Matching, Level of Effort and Earmarking</i>
Administration:	<i>Administration for the Child Support Enforcement</i>

Criteria

42 USC 655(a) (1 and 2)(C); 45 CFR sections 304.20(c) and 304.30 42 establishes that the Federal share of program costs related to determining paternity, including those related to the planning, design, development, laboratory, installation and enhancement of the statewide computerized support enforcement system is 66 percent.

Condition

During our audit we noted that the PRDF provided only 30% (\$11,212,478) of the State share of costs instead of the 34% (\$12,772,865) required by the regulations. Accordingly, there is a deficiency of \$1,560,386 in the State share of costs.

Questioned costs

\$1,560,386

Recommendation

The PRDF shall train the program's personnel, including the program's accountants and other employees in charge of the program's budget preparation on applicable federal regulations. This shall ensure that the budget is prepared following the federal guidelines and that those personnel in charge of approving and recording expenditures may prevent or detect and correct instances when expenditures incurred do not comply with the State share requirements. Program expenditures shall also be monitored to track state-level activities. The preparation on a periodic basis of a report summarizing these expenditures is a good tool for monitoring and follow up purposes.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-06</i>
CFDA:	<i>93.569</i>
Federal Program:	<i>Community Service Block Grant</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Matching, Level of Effort and Earmarking</i>
Administration:	<i>Administration for Families and Children</i>

Criteria

Public Law 105-285 Sec.675C (b) (2) establishes that no State may spend more than the greater of \$55,000, or 5 percent, of the grant received or State allotment received for administrative expenses, including monitoring activities. Funds to be spent for such expenses shall be taken from the portion of the grant or State allotment that remains after the State makes grants to eligible entities.

45 CFR 92.20 (a) establishes that a State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to - (1) Permit the preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Condition

During the performance of the earmarking test of the Community Services Block Grant program for the year ended June 30, 2010, we noted that the administrative expenditures and discretionary funds for the grants G-09B1PRCOSR, G-08B1PRCOSR, G-07B1PRCOSR, G-06B1PRCOSR and G-05B1PRCOSR are commingled. Therefore, we could not verify whether the administrative expenditures and discretionary funds did not exceed the 5 % and were only used for the activities stated in the State Plan for fiscal year 2009-2010.

Effect

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Questioned costs

Could not be determined

Recommendation

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

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

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-07</i>
CFDA:	<i>14,850</i>
Federal Program:	<i>Public and Indian Housing</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Activities allowed or unallowed</i> <i>Allowable costs / cost principles</i> <i>Procurement and suspension and debarment</i>
Administration:	<i>Administration for Families and Children</i>

Criteria

45 CFR 92.20 and 24 CFR 85.20 (a) establishes that a State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to: (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Condition

During our audit, we noted that the expenditures and revenues related to the Public and Indian Housing program are commingled with the state funds.

Therefore, we were unable to ascertain whether total program expenditures identified by PRDF and included in the Statement were accurate and complete.

Effect

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

Questioned costs

Could not be determined

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Recommendation

We recommend the PRDF to expand the chart of accounts to provide for identification of the amount of funds that the PRDF expended for each program separately. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of each program.

We also recommend the PRDF to develop and implement written policies and procedures outlining: a) responsibilities for the accounting of such expenditures; and b) proper monitoring or follow procedures to ascertain compliance with activities allowed or unallowed and allowable costs / cost principles requirements.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-08</i>
CFDA:	<i>93.667</i>
Federal Program:	<i>Social Services Block Grant</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Period of Availability</i>
Administration:	<i>Administration for Families and Children</i>

Criteria

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

45 CFR 92.23 (b) establishes that a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee.

Sections (b) (2), (3) and (6) of 7 CFR 3016.20 and 45 CFR 92.20 establish that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition

During our audit procedures over period of availability, we noted that in one (1) out of ten (10) disbursements tested, the expenditure occurred before the period of availability. Subsequently, in December 30, 2010 the Administration for Families and Children adjusted the amount paid outside the period of availability against expenditures incurred during the period of availability.

Effect

The PRDF could be exposed to penalties and sanctions from the grantor due to noncompliance with the period of availability requirement.

Questions costs

Not applicable

Recommendation

We recommend the PRDF to establish adequate procedures and controls, which shall considerer amount other, the following: a) The accounting system prevents obligations or expenditures of federal funds outside the period availability through the review of disbursements by persons knowledgeable of period availability requirements, specially just before and after cut-off dates; b) The timely identification and communication of period of availability requirements and expenditures deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; c) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number: 2010-09
CFDA: 93.667
Federal Program: Social Services Block Grant
Category: Compliance/Internal Controls
Compliance Requirement: Reporting
Administration: Families and Children Administration

Criteria

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

Condition

As part of our audit procedures, we selected and compared two Financial Status Reports (FSR-269) submitted during the fiscal year with the accounting records. The reports selected were the preliminary report for the grant G-0901PRSOS2 (covering reporting period from October 1, 2008 through September 30, 2009), the grant G-0901PRSOSR (covering reporting period from October 1, 2008 through September 30, 2009) and the final report for the grant G-0801PRSOSR (covering reporting period from October 1, 2007 through September 30, 2009).

After such comparison, we noted that the expenditures reported did not agree with the accounting records, as follows:

<u>Grant No.</u>	<u>Expenditures per Accounting records</u>	<u>Expenditures per Report</u>	<u>Difference</u>
G-0901PRSOS2	\$ -	\$ 1,856,928	\$ (1,856,928)
G-0901PRSOSR	\$ 10,129,350	\$ 8,793,103	\$ 1,336,247
G-0801PRSOSR	\$ 2,221,819	\$ 2,283,908	\$ (62,089)

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Effect

Failure to report accurate information on a timely basis prevents the federal agencies from monitoring the performance of the program's financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years.

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

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

Also, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	2010-10
CFDA:	93.563
Federal Program:	Child Support Enforcement
Category:	Compliance/Internal Controls
Compliance Requirement:	Reporting
Administration:	Administration for the Child Support Enforcement

Criteria

FR 92.20 (a) establishes that 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: (1) permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that these funds have not been used in violation of the restriction and prohibitions of applicable statutes.

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

Condition

SF-272, Federal Cash Transaction Report

We selected for examination, the quarterly Federal Cash Transaction Reports (for all quarters) for the fiscal year ended June 30, 2010, and noted that amounts reported in the Federal Cash Transaction Report did not agree to the accounting records, as follows:

	<u>Cash Receipts</u>	<u>Expenditures</u>
Amount per reports (SF-272)	\$ 24,972,428	\$ 23,842,749
Amount per accounting records	24,972,428	24,895,466
Difference	\$ -	\$ (1,052,717)

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition - continued

OCSE 396A, Child Support Enforcement Program Expenditure Report

We selected for examination, the OCSE 396A, Child Support Enforcement Program Expenditure Report for the fiscal year ended June 30, 2010, and noted that the expenditures reported did not agree with the accounting records and no reconciliation was submitted for our evaluation. The difference noted was as follows:

	<u>June 30, 2010</u>
Expenditures per reports (OCSE-396A)	\$ 37,803,656
Expenditures per accounting records (PRIFAS)	<u>36,006,862</u>
Difference	<u>\$ 1,796,794</u>

Effect

Failure to report accurate information on a timely basis prevents the federal agencies from monitoring the performance of the program's financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years. Noncompliance with the reporting requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

The lack of monitoring compliance of the service organization with contract requirements increases the risk of occurrence of failures or errors in the processing of transactions that are not detected by the PRDF.

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- prepare the financial reports accurately and within their required due dates;
- provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant;

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Recommendation-continued

- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities,
- reconcile on a monthly basis the records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS).

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-11</i>
CFDA:	<i>93.569</i>
Federal Program:	<i>Community Service Block Grant</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>Administration for Family and Children</i>

Criteria

45 CFR 92.20 (a) establishes that 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: (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that these funds have not been used in violation of the restriction and prohibitions of applicable statutes.

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

Condition

Community Service Block Grant

As part of our audit procedures, we selected and compared two Financial Status Reports (FSR-269) submitted during the fiscal year with the accounting records. The reports selected were the preliminary report for the grant G-09B1PRCOSR (covering reporting period from October 1, 2008 through September 30, 2009) and the final report for the grant G-08B1PRCOSR (covering reporting period from October 1, 2007 through September 30, 2009).

After such comparison, we noted that the expenditures reported did not agree with the accounting records, as follows:

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition - continued

<u>Grant No.</u>	<u>Expenditures per Accounting records</u>	<u>Expenditures per Report (SF-269)</u>	<u>Difference</u>
G-090B1PRCOSR	\$ 17,764,486	\$ 17,554,153	\$ 210,333
G-080B1PRCOSR	\$ 3,095,245	\$ 3,183,142	\$ (87,897)

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately and within their required due dates;
- provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-12</i>
CFDA:	<i>93.600, 93.575, 93.708, 93.713</i>
Federal Program:	<i>Head Start, Child Care and Development Block Grant</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>Administration for the Integral Care and Development of the Children</i>

Criteria

45 CFR 92.20 (a) establishes that 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: (1) permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that these funds have not been used in violation of the restriction and prohibitions of applicable statutes.

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

Condition

Head Start and Child Care and Development Block Grant

To determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with the Head Start and Child Care and Development Block programs requirements, we selected for examination the Federal Cash Transaction Report SF-272 (for all four quarters). After such review, we noted that the cash receipts and the expenditures reported did not agree to the accounting records as follow:

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition - continued

<u>Description</u>	<u>Accounting Records</u>	<u>Report</u>	<u>Difference</u>
Total Receipts	\$ 164,622,330	\$ 164,607,719	\$ 14,611
Net Disbursements	\$ 175,519,542	\$ 174,568,767	\$ 950,775

Effect

Failure to report accurate information on a timely basis prevents the federal agencies from monitoring the performance of the program's financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years. Noncompliance with the reporting requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately and within their required due dates;
- provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-13</i>
CFDA:	<i>93.600</i>
Federal Program:	<i>Head Start</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>Administration for the Integral Care and Development of the Children</i>

Criteria

45 CFR 92.20 (a) establishes that 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: (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that these funds have not been used in violation of the restriction and prohibitions of applicable statutes.

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

Condition

After review of the Financial Status Report (SF-269) of the Head Start program for the Award 02CH9944\06 for the program year ended February 28, 2010, we noted that the amounts reported as total federal share did not agree with the accounting records as follows:

<u>Grant No.</u>	<u>Expenditures per Accounting records</u>	<u>Expenditures per Report (SF-269)</u>	<u>Difference</u>
02CH944\06	<u>\$ 114,000,857</u>	<u>\$ 108,678,219</u>	<u>\$ 5,322,638</u>

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Effect

Failure to report accurate information on a timely basis prevents the federal agencies from monitoring the performance of the program's financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years. Noncompliance with the reporting requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately and within their required due dates;
- provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-14</i>
CFDA:	<i>93.713</i>
Federal Program:	<i>Child Care and Development Block Grant (ARRA)</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>Administration for the Integral Care and Development of the Children</i>

Criteria

45 CFR 92.20 (a) establishes that 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: (1) permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that these funds have not been used in violation of the restriction and prohibitions of applicable statutes.

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

Condition

As part of our audit procedures on financial reporting requirements, we compared the Head Start 1512 report (Section 1512 of the American Recovery and Reinvestment Act of 2009 (ARRA)) for grant award number 0901PRCCD7. The expenditures presented did not agree with the accounting records as follows:

Description	Accounting Records	Report 1512	Difference
Total Receipts	\$ 10,006,345	\$ 10,006,345	\$ -
Net Disbursements	\$ 12,778,168	\$ 12,534,708	\$ 243,460

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately and within their required due dates;
- provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	2010-15
CFDA:	93.708
Federal Program:	Head Start (ARRA)
Category:	Compliance/Internal Controls
Compliance Requirement:	Reporting
Administration:	Administration for the Integral Care and Development of the Children

Criteria

45 CFR 92.20 (a) establishes that 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: (1) permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that these funds have not been used in violation of the restriction and prohibitions of applicable statutes.

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

Condition

As part of our audit procedures on financial reporting requirements, we compared the Head Start 1512 report (Section 1512 of the American Recovery and Reinvestment Act of 2009 (ARRA)) for grant award number 02SE9944. After performing these procedures, we noted that the expenditures presented in the Head Start did not agree with the accounting records as follows:

Description	Accounting Records	Report 1512	Difference
Total Receipts	\$ 3,379,655	\$ 3,289,829	\$ 89,826
Net Disbursements	\$ 3,447,911	\$ 3,183,534	\$ 264,377

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DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately and within their required due dates;
- provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-16</i>
CFDA:	<i>10.566, 10.566 ARRA</i>
Federal Program:	<i>Nutrition Assistance Program for Puerto Rico</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>Administration for the Socioeconomic Development</i>

Criteria

Section 20 (a) of the OMB Common Rule establishes that a State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: (1) permit preparation of reports required by this part and the statutes authorizing the grant, and (2) permit the tracing of funds to a level of expenditures adequate to establish that these funds have not been used in violation of the restriction and prohibitions of applicable statutes.

Section 20 (b) (1) of the OMB Common Rule establishes that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Section 20 (b) (2) of the OMB Common Rule establishes that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.

Condition

The Financial Status Report (SF-269) of the Nutrition Assistance Program for Puerto Rico NAP 2010 and NAP 2010 ARRA, covering from October 1, 2009 to June 30, 2010 did not agree with the accounting records as follows:

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DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition – continued

<u>Grant No.</u>	<u>Expenditures per Report</u>	<u>Expenditures per Accounting Records</u>	<u>Difference</u>
NAP2010	\$ 1,175,300,176	\$ 1,171,280,930	\$ 4,019,246
NAP2010 ARRA	\$ 253,144,658	\$ 253,587,494	\$ (442,836)

Effect

Failure to report accurate information on a timely basis prevents the federal agencies from monitoring the performance of the program’s financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years.

Additionally, noncompliance with the reporting requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be understood as a failure to achieve program objectives.

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

Also, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-17</i>
CFDA:	<i>10.568</i>
Federal Program:	<i>Emergency Food Assistance Program (Administrative Costs),</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>Administration for the Socioeconomic Development</i>

Criteria

20 CFR 437.20 (b) (1) establishes that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Condition

The Report of the Emergency Food Assistance Program (TEFAP) Administrative Costs (OMB No. 0584-0293) for the grant awards No. TEFAP 2009 and TEFAP 2010 did not agree with the accounting records as follows:

Grant No.	Period covered by this report	Expenditures per Report	Expenditures per Accounting Records	Difference
TEFAP2009	10/1/08 - 12/31/09	<u>\$ 2,461,348</u>	<u>\$ 2,644,143</u>	<u>\$ (182,795)</u>
TEFAP2010	10/1/09 - 6/30/10	<u>\$ 1,211,598</u>	<u>\$ 1,037,905</u>	<u>\$ 173,693</u>

Effect

Failure to report accurate and complete information prevents the federal agencies from monitoring the performance of the program's financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years.

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

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:

- Prepare the financial reports accurately; and
- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

In addition, we recommend that the internal accounting records used to prepare the Federal financial reports are reconcile on a monthly basis with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

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DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	2010-18
CFDA:	96.001
Federal Program:	Social Security-Disability Insurance
Category:	Compliance/Internal Controls
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>The Secretariat</i>

Criteria

20 CFR 437.20 (b) (1) establishes that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Condition

After review, the State Agency Report of Obligations on the SSA Disability Programs (OMB No. 0960-0421), we noted that the amount reported did not agree to the accounting records as follows:

<u>Grant No.</u>	<u>Expenditures Reported</u>	<u>Expenditures per Accounting Records</u>	<u>Difference</u>
1004RQDI00	\$ 4,658,497	\$ 5,166,660	\$ (508,163)
0904RQD100	\$ 8,779,055	\$ 8,594,426	\$ 184,629

Effect

Failure to report accurate and complete information prevents the federal agencies from monitoring the performance of the program's financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years. Noncompliance with the reporting requirements could lead to significant administrative sanctions by the grantor, including

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Effect-continued

reduction in amounts to be awarded. It could also be interpreted as a failure of the Administration to achieve program objectives.

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to establish adequate procedures and controls, which shall consider the following: a) Prepare the financial reports accurately. b) Ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.

In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-19</i>
CFDA:	<i>93.558, 93.560</i>
Federal Program:	<i>Temporary Assistance for Needy Families, Family Support Payment to States – Assistance Payments</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting</i>
Administration:	<i>Administration for the Socioeconomic Development</i>

Criteria

45 CFR 265.7 establishes how the HHS will determine if the State is meeting the quarterly reporting requirements.

45 CFR 267 (a) establishes that each State’s quarterly report must be complete and accurate.

45 CFR 267 (b) (1) establishes that:

- (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems;
- (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so); and
- (3) The State reports data for all required elements (i.e., no data are missing).

45 CFR 265.7 (d) establishes that for the TANF Financial Report (or, as applicable, the Territorial Financial Report), “a complete and accurate report” means that:

- (1) The reported data accurately reflect information available to the State in case records, financial records, and automated data systems.
- (2) The data are free from computational errors and are internally consistent (e.g., items that should add to totals do so).
- (3) The State reports data on all applicable elements.
- (4) All expenditures have been made in accordance with 92.20 (a) of this title.

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DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Criteria - continued

45 CFR 92.20 (a) establishes that a State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- permit preparation of reports required by this part and the statutes authorizing the grant, and
- 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.

Additionally, 45 CFR 92.20 (b) (2) establishes that Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. States must maintain records to adequately support any report, in accordance with CFR 92.42 of this title.

45 CFR 92.42 establishes that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

We examined a sample of quarterly program reports. Exemptions noted are discussed below:

SF-272, Federal Cash Transactions Reports

We selected for examination the quarterly Federal Cash Transaction Reports (for all quarters) for the fiscal year ended June 30, 2010, and noted the following exceptions:

The amounts reported in the Federal Cash Transaction Report did not agree to the accounting records, as follows:

Description	Accounting Records	Report (PSC-272)	Difference
Total Receipts	\$ 86,665,715	\$ 86,340,122	\$ 325,593
Net Disbursements	\$ 85,606,294	\$ 81,898,355	\$ 3,707,939

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition – continued

ACF-196-TR, Territorial Financial Reports

As part of our audit procedures, we compared two ACF-196-TR Forms (Territorial Financial Reports) submitted during the fiscal year with the accounting records. After such comparison, we noted that the expenditures reported did not agree with the accounting records, as follows:

	Grant Award 2009	Grant Award 2010
Federal Share Expenditures (Per ACF-196 TR)	\$ 16,729,484	\$ 28,329,388
Accounting Records (PRIFAS)	18,316,394	30,715,464
Difference	<u>\$ (1,586,910)</u>	<u>\$ (2,386,076)</u>

Effect

Failure to report accurate and complete information prevents the federal agencies from monitoring the performance of the program’s financial activities, assessing the achievements of the program and evaluating the expected grant award for the following years. Noncompliance with the reporting requirements could lead to significant administrative sanctions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure of the Administration to achieve program objectives.

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF to develop and implement a formal policies and procedures manual that prescribes uniform procedures on the frequency, format and content of each report so that the record keeping system provides the information necessary to prepare the Federal reports accurately and within their required due dates.

Also, we recommend the preparation of a monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.

COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-20</i>
CFDA:	<i>10.569, 10.569 ARRA</i>
Federal Program:	<i>Emergency Food Assistance Program (Commodities)</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Reporting, Special Test and Provision</i>
Administration:	<i>Administration for the Socioeconomic Development</i>

Criteria

Title 7: Agriculture § 250.16 Maintenance of records

(a) *General requirements.* (1) Accurate and complete records shall be maintained with respect to the receipt, distribution/use and inventory of donated foods including: (i) End products processed from donated foods and (ii) the determination made as to liability for any improper distribution, use of, loss of, or damage to, such foods and the results obtained from the pursuit of claims by the distributing agency.

Such records shall also be maintained with respect to the receipt and disbursement of funds arising from the operation of the distribution program, including the determination as to the amount of payments to be made by any processor, upon termination of processing contracts.

Under section 250.14(c) of the Food Distribution Program regulations, all storage facilities at the DA level must be reviewed annually, and the DA must ensure that sub distributing agencies conduct annual reviews of their storage facilities. Under section 250.14(e), DAs and sub distributing agencies must perform a physical inventory as part of the annual review, and the physical inventory must be reconciled to the book inventory. Finally, under section 250.16(a)(1), DAs and sub distributing agencies must maintain complete and accurate records with respect to the receipt, distribution/use and inventory of donated foods. (Refer to USDA Food Nutrition National Policy Memorandum FD-052)

7 CFR Part 3052.400(d), pass-through entities, such as TEFAP State agencies or ERAs that further distribute TEFAP food or funds to other ERAs, must notify each sub-recipient ERA of the Federal award's Catalog of Federal Domestic Assistance (CFDA) title and number, the award name and number, the amount, and the award year at the time of the sub-ward. (Refer to USDA Food Nutrition National Policy Memorandum FD-106)

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition

During our audit of the Emergency Food Assistance Program (Commodities) we noted the following:

- The annual physical inventory report obtained was not signed nor authorized by the administrator of the storage facilities.
- Daily inventory reports were not signed or approved by the administrator of the storage facilities.
- We were unable to determine whether the PRDF performed annual physical inventory in all storage facilities and annual physical inventory has been reconciled to the book's inventory.
- We were unable to compare our physical inventory count to the inventory records since the annual physical inventory was not available for our examination.
- The PRDF could not provide detail of commodities distributed to each sub-recipient ERA.
- The PRDF could not provide evidence on whether the sub-recipient ERA is notified of the Federal award's Catalog of Federal Domestic Assistance (CFDA) title.
- We noted that in one of the storage facilities (Caguas, P.R.) the commodities transferred from other facilities and commodities received from the Federal government were commingled.
- We noted that commodities received out-of-condition and losses were not properly documented in daily inventory reports.
- During fiscal year 2009 the PRDF paid \$17,300 to a third party for the design of a computer software to maintain records of the commodities received and distributed. However, it has not been installed or used.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition - continued

- We noted that one of the storage facilities was closed during fiscal year and the commodities were transferred to other storage facility. We compared the commodities transferred after year end and noted the following differences in the inventory records:

Date	Commodity	Commodities transfer out (Storage facility closed at Bayamón, PR)	Commodities transfer in (Storage facility located in Caguas, PR)	Difference
7/15/2010	Dry Milk	5,181	-	5,181 items
9/2/2010	Mixed Fruits	97,920	61,200	36,720 items
9/15/2010	Mixed Vegetables	77,520	44,880	32,640 items
9/20/2010	Apple Juice	468	-	468 items
9/22/2010	Cheese Blend	616	-	616 items
9/22/2010	Cheese White Mild	284	-	284 items

After review, the receiving reports we noted that the items presented above were received in the storage facilities located in Caguas, P.R. but were not properly recorded.

Effect

Failure to maintain records required by 7 CFR section 250.16 shall be considered primary evidence of improper distribution or loss of donated foods, and the agency, processor, or entity is liable for the value of the food or replacement of the food in kind.

Questioned costs

Could not be determined

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DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Recommendation

The PRDF shall take an annual physical inventory of all storage facilities. A complete inventory record shall be maintained by all storage facilities. Such physical inventory must be reconciled to the book inventory (Refer to USDA Policy Memorandum No. FD-058). Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 CFR section 250.14(e)).

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-21</i>
CFDA:	<i>93.569. 93.569 ARRA</i>
Federal Program:	<i>Community Service Block Grant</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Sub-recipient Monitoring</i>
Administration:	<i>Administration for Families and Children</i>

Criteria

According to the OMB Circular No. A-133, Audit of States, Local Governments, and Non-Profit Organizations, Subpart D-Federal Agencies and Pass-Through Entities, Section .400-Responsibilities Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- 3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements and the performance goal are archived.
- 4) Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of Circular A-133 for that fiscal year.
- 5) Issue a management decision on audit findings within 6 months after receipt of subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- 6) Consider whether subrecipient's audits necessitate adjustment of the pass-through entity's own records.

42 USC 9914 - Monitoring of eligible entities requires that, in order to determine whether eligible entities meet the performance goals, administrative standards, financial management requirements, and other requirements of a State, the State shall conduct the following reviews of eligible entities:

- 1) A full onsite review of each such entity at least once during each 3-year period.
- 2) An onsite review of each newly designated entity immediately after the completion of the first year in which such entity receives funds through the Community Services Block Grant program.

COMMONWEALTH OF PUERTO RICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Criteria - continued

- 3) Follow-up reviews including prompt return visits to eligible entities, and their programs, that fail to meet the goals, standards, and requirements established by the State.
- 4) Other reviews as appropriate, including reviews of entities with programs that have had other Federal, State, or local grants (other than assistance provided under this chapter) terminated for cause.

Condition

During the year ended June 30, 2010, funds totaling \$68,786,420 were disbursed to 13 subrecipients under the Community Services Block Grant program (CSBG). We identified deficiencies in the monitoring procedures for the CSBG program. As a result, there is an increased risk that noncompliance could occur at the subrecipient level and not be detected in a timely manner.

Federal requirements and the PRDF's monitoring plan specify that full on-site reviews for each eligible sub grantee will be conducted once every three years to monitor performance, administrative and financial management standards. However, our review of the 13 funded subrecipients identified that:

- The 13 subrecipients did not receive an on-site programmatic monitoring visit during the established three-year cycle. After year end, two programmatic monitoring were completed. However, these monitorings were not signed and there is no evidence as to whether the PRDF discussed the results of such monitorings with the subrecipient.
- Fiscal monitoring has not occurred for 13 subrecipients for the same period.

The PRDF could not provide evidence for the most recently completed plan period that a tracking system was in place to ensure that monitoring activities occurred as planned, corrective action plans were developed, or appropriate follow-up took place.

In addition, we identified that there are no procedures in place to minimize the time elapsing between the transfer of funds to subrecipients and the related disbursement. This is applicable to only those grants/contracts that allow advance payments and even payments. It is important to ensure that subrecipients do not have excess funds on hand beyond their immediate needs.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Effect

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

Questioned costs

Could not be determined

Recommendation

When funds are advanced, the PRDF must have procedures to minimize the time elapsing between the transfer of funds to the subrecipient and disbursement. When advance payment procedures are used, the PRDF must review and concur with the subrecipient's established procedures.

The PRDF should:

- Determine if cash advances or drawdowns are only for amounts necessary for immediate cash needs.
- Determine if excess cash for the immediate needs of the program does not accumulate beyond the immediate needs of the program.

We recommend the PRDF to use the following guidelines to timely monitor the subrecipients' compliance with federal programs requirements:

- Perform site visits to sub recipients to review financial and programmatic records, observe operations, establish regular contacts with subrecipients, and make appropriate inquiries concerning the federal program.
- Review sub recipients' reports and follow-up on areas of concern, monitor subrecipients budgets and offer technical assistance when needed.
- Official written policies and procedures shall be reviewed to establish communication of federal award requirements to subrecipients, responsibilities for monitoring, and process and procedures for monitoring. Such policies and procedures shall also include the methodology for resolving findings of subrecipients' noncompliance or weaknesses in internal control, and the requirements for and processing of subrecipients audits, including appropriate adjustments of pass-through entities accounts.
- Issuance of timely management decisions to inform the sub recipients about whether the corrective action plans for audit and monitoring findings is acceptable.
- Maintain a system to track and follow-up on reported deficiencies related to activities funded with this program and ensure that timely corrective action is taken.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Finding Number:	<i>2010-22</i>
CFDA:	<i>93.563</i>
Federal Program:	<i>Child Support Enforcement</i>
Category:	<i>Compliance/Internal Controls</i>
Compliance Requirement:	<i>Eligibility and Special Test and Provisions</i>
Administration:	<i>Administration for the Child Support Enforcement</i>

Criteria

45 CFR sections 302.32 (a) and 302.33 (a) establish that eligible recipients are: (a) individuals applying for or receiving TANF benefits for whom an assignment of child support rights has been made to the State; (b) non-TANF Medicaid recipients; (c) former Aid to Families with Dependent Children/TANF, Title IV-E, or Medicaid recipients who continue to receive child support enforcement services without filing an application; and (d) individuals needing such services who have applied to a State child support enforcement agency.

45 CFR sections 303.4 and 303.5 establish that the State IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock.

The State IV-D agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 for whom paternity or a support obligation had not been established. These services must be provided within the time frames specified in 45 CFR sections 303.3 (b) (3) and (b) (5), 303.3 (c) and, 303.4 (d).

For all cases referred to the IV-D agency or applying for services under 45 CFR section 302.33 in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for: (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with State law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Criteria - continued

To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR section 303.100, and initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later. If service of process is necessary, service must be completed and enforcement action taken within 60 calendar days of identification of the delinquency or other noncompliance, or the location of the absent parent whichever occurs later.

45 CFR section 303.6 establishes that if service of process is unsuccessful, unsuccessful attempts must be documented and meet the State's guidelines defining diligent efforts. If enforcement attempts are unsuccessful, the agency should determine when it would be appropriate to take an enforcement action in the future and take it at that time. Optional enforcement techniques available for use by the State's are found at 45 CFR sections 303.71, 303.73, and 303.104.

45 CFR sections 303.31 (b) (1)-(4) establish that the State IV-D agency must attempt to secure medical support information, and establish and enforce medical support obligations for all individuals eligible for services under 45 CFR section 302.33. Specifically, the State IV-D agency must determine whether the custodial parent and child have satisfactory health insurance other than Medicaid.

If not, the agency must petition the court or administrative authority to include medical support in the form of health insurance coverage in all new or modified orders for support. The agency is also required to establish written criteria to identify cases not included above, where there is a high potential for obtaining medical support based on: (a) available evidence that health insurance may be available to the absent parent at reasonable cost, and (b) facts (as defined by the State) which are sufficient to warrant modification of an existing support order to include health insurance coverage for a dependent child (ren). For cases meeting the established criteria, the agency shall petition the court or administrative authority to modify support orders to include medical support in the form of health insurance coverage.

45 CFR section 303.31 (c) establishes that for non-TANF cases, the agency shall petition for medical support when the eligible individual is a Medicaid recipient or with consent of the individual if not a Medicaid recipient.

45 CFR section 303.31 (b) (7) establishes that in cases where medical support is ordered, the agency is required to verify that it was obtained. If it was not obtained, the agency should take steps to enforce the health insurance coverage required by the support order, unless it determines that health insurance was not available to the absent parent at reasonable cost.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Criteria - continued

45 CFR sections 303.31 (b) (5) and (6) establish that the agency shall inform the Medicaid agency when a new or modified order for child support includes medical support and shall provide information to the custodial parent concerning the health insurance policy secured under any order.

45 CFR sections 302.36 and 303.7 establish that the State IV-D agency must provide the appropriate child support services needed for interstate cases (cases in which the child and custodial parent live in one State and the responsible relative lives in another State), establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services. The case requiring action may be an initiating interstate case (a case sent to another State to take action on the initiating State's behalf) or a responding interstate case (a request by another State to provide child support services or information only). Specific time frame requirements for responding and initiating interstate cases are at 45 CFR sections 303.7 (a) and 303.7 (b) (2), (4), (5) and (6), respectively.

Condition

To determine compliance with eligibility requirements and with special tests and provisions, we selected a sample of participants for testing. After performing the eligibility and special provisions tests for such files, we noted that the PRDF did not maintain in the participants' files the documents and information necessary to corroborate that program participants were eligible to receive such services. The following instances of non-compliance were noted:

- Two (2) of the sixty (60) cases selected for testing (3%) were not available for examination; accordingly, we were unable to determine the eligibility of the participant and/or PRDF's compliance with the special test and provisions requirements related to: a) establishment of paternity; b) enforcement obligation; c) securing and enforcing medical support obligations; and/or d) interstate requirements, as applicable.

Eligibility

- In five (5) of the fifty-eight (58) cases tested (8%), the service registration form (Form ASM 160) was not available for examination.
- In one (1) of the fifty-eight (58) cases tested (2%), the Economic Assistance Refereeing Form (Form DSS 13) used for participants of the Temporary Assistance to Needy Families (CFDA No. 93.558) was not available for examination.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition - continued

- In nine (9) of the fifty-eight (58) cases tested (16%), there was no evidence (birth certificates of the custodial parent and the minor) to support the PRDF's conclusion on whether the participant was under 21 years old.
- In eleven (11) of the fifty-eight (58) cases tested (19%), the evidence of the social security number of the custodial parent and the minor was not available for examination.

Establishment of paternity and support obligation

- In two (2) of the twenty (20) cases selected for testing (10%) were not available for examination; accordingly, we were unable to determine the eligibility of the participant and/or PRDF's compliance with the special test and provisions requirements related to establishment of paternity and support obligation requirements.

Interstate cases

- In two (2) of the thirteen (13) cases selected for testing (15%), there was no evidence to support that the enforcement services were provided within the required time frame.
- In two (2) of the seven (7) cases selected for testing (29%), there was no evidence to support that the required information was provided to the responding State within the required time frame to provide such information.

Enforcement of support obligation

- In two (2) of the twenty (20) cases tested (10%) there was no evidence as to whether the enforcement action was initiated on a timely basis.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Condition - continued

Securing and enforcing medical support

- Five (5) of the forty (40) cases selected for testing (13%), were not available for examination; accordingly, we were unable to determine the eligibility of the participant and/or PRDF's compliance with the special test and provisions requirements related to enforcement of support obligation requirements.
- There were eight (8) cases out of the forty (40) cases tested (20%), for which there was no evidence as to whether the PRDF ascertained if the custodial parent had a satisfactory health insurance other than Medicaid.
- For eleven (11) of the forty (40) cases selected (28%), there was no evidence as to whether the PRDF petitioned the court to require satisfactory health insurance coverage (for those cases without satisfactory health insurance other than Medicaid).

Effect

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

Questioned costs

Could not be determined

Recommendation

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

We also recommend that written policies and procedures be established outlining: a) responsibilities for determining the participants' eligibility; b) documents to be included in the participants' files; and c) proper monitoring or follow up procedures to ascertain compliance with eligibility requirements.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Commonwealth of Puerto Rico
Department of the Family
Schedule of Prior Year Audit Findings 2009

Reference Number: 2009-01
CFDA: All programs
Federal Program: All programs
Administration: The Secretariat, Administration for the Socioeconomic Development, Administration for Families and Children, Administration for the Integral Care and Development of the Children, Administration for the Child Support Enforcement
Audit Finding: Special test and provision
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to finding 2010-01 and related corrective action plan.

Reference Number: 2009-02
CFDA: All programs
Federal Program: All programs
Administration: The Secretariat, Administration for the Socioeconomic Development, Administration for Families and Children, Administration for the Integral Care and Development of the Children, Administration for the Child Support Enforcement
Audit Finding: Allowable Cost/Cost Principle
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Partially corrected. Refer to finding 2010-02 and related corrective action plan.

Reference Number: 2009-03
CFDA: 10.566, 10.566 ARRA, 93.558, 93.575, 93.569, 93.600
Federal Program: Nutrition Assistance Program for Puerto Rico Cluster, Temporary Assistance for Needy Families, Child Care and Development Block Grant, Community Service Block Grant, Head Start
Administration: Administration for the Socioeconomic Development, Administration for Families and Children, Administration for the Integral Care and Development of the Children
Audit Finding: Cash management
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Corrected

Commonwealth of Puerto Rico

Department of the Family

Schedule of Prior Year Audit Findings 2009- continued

Reference Number: 2009-04
CFDA: 10.558, 10.568, 10.569, 10.569 ARRA, 93.556, 93.568, 96.001
Federal Program: Child and Adult Care Food Program, Emergency Food Assistance Program Cluster, Promoting Safe and Stable Families, Low Income Home Energy Assistance Program, Social Security- Disability Insurance
Administration: The Secretariat, Administration for the Socioeconomic Development, Administration for Families and Children, Administration for the Integral Care and Development of the Children
Audit Finding: Cash management
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Partially corrected. Refer to finding 2010-03 and related corrective action plan.

Reference Number: 2009-05
CFDA: 93.563
Federal Program: Child Support Enforcement
Administration: Administration for the Child Support Enforcement
Audit Finding: Matching, level of effort and earmarking
Questioned Cost: \$2,655,117
Status of Corrective Action Plan: Remains uncorrected. Refer to finding 2010-05 and related corrective action plan.

Reference Number: 2009-06
CFDA: 93.569
Federal Program: Community Service Block Grant
Administration: Administration for Families and Children
Audit Finding: Matching, level of effort and earmarking
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Partially corrected. Refer to finding 2010-06 and related corrective action plan.

Commonwealth of Puerto Rico

Department of the Family

Schedule of Prior Year Audit Findings 2009- continued

Reference Number: 2009-07

CFDA: 10.568, 10.569, 10.569 ARRA, 14.850, 93.558, 93.560, 93.667

Federal Program: Emergency Food Assistance Program Cluster, Public and Indian Housing, Temporary Assistance for Needy Families, Family Support Payment to States , Social Service Block Grant

Administration: Administration for the Socioeconomic Development, Administration for Families and Children

Audit Finding: Activities allowed or unallowed, allowable costs/cost principle, matching, level of effort, earmarking, procurement, suspension and debarment.

Questioned Cost: Could not be determined

Status of Corrective Action Plan: Partially corrected. Refer to finding 2010-07 and related corrective action plan.

Reference Number: 2009-08

CFDA: 93.575

Federal Program: Child Care and Development Block Grant

Administration: Administration for the Integral Care and Development of the Children

Audit Finding: Matching, level of effort and earmarking

Questioned Cost: Could not be determined

Status of Corrective Action Plan: Corrected

Reference Number: 2009-09

CFDA: 10.566, 10.566 ARRA

Federal Program: Nutrition Assistance Program for Puerto Rico Cluster

Administration: Administration for the Socioeconomic Development

Audit Finding: Matching, level of effort and earmarking

Questioned Cost: \$ 769,563

Status of Corrective Action Plan: Corrected

Reference Number: 2009-10

CFDA: 93.568

Federal Program: Low Income Home Energy Assistance Program

Administration: Administration for the Socioeconomic Development

Audit Finding: Period of availability

Questioned Cost: \$ 45,775

Status of Corrective Action Plan: Corrected

Commonwealth of Puerto Rico

Department of the Family

Schedule of Prior Year Audit Findings 2009- continued

Reference Number: 2009-11
CFDA: 93.569
Federal Program: Community Service Block Grant
Administration: Administration for Families and Children
Audit Finding: Subrecipient monitoring
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to finding 2010-21 and related corrective action plan.

Reference Number: 2009-12
CFDA: 96.001
Federal Program: Social Security – Disability Insurance
Administration: The Secretariat
Audit Finding: Reporting
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to finding 2010-18 and related corrective action plan.

Reference Number: 2009-13
CFDA: 93.563
Federal Program: Child Support Enforcement
Administration: Administration for the Child Support Enforcement
Audit Finding: Reporting
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to finding 2010-10 and related corrective action plan.

Reference Number: 2009-14
CFDA: 93.569, 93.600, 93.556, 93.568, 93.575
Federal Program: Community Service Block Grant, Head Start, Promoting Safe and Stable Families, Low Income Home Energy Assistance, Child Care and Development Block Grant
Administration: Administration for the Family and Children, Administration for the Integral Care and Development of the Children, Administration for the Socioeconomic Development
Audit Finding: Reporting
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to findings 2010-11, 2010-12 and 2010-13 and related corrective action plan.

Commonwealth of Puerto Rico

Department of the Family

Schedule of Prior Year Audit Findings 2009- continued

Reference Number: 2009-15
CFDA: 10.568, 10.569, 10.569 ARRA
Federal Program: Emergency Food Assistance Program Cluster
Administration: Administration for the Socioeconomic Development
Audit Finding: Reporting
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to finding 2010-17 and related corrective action plan.

Reference Number: 2009-16
CFDA: 93.558, 93.560
Federal Program: Temporary Assistance for Needy Families, Family Support Payment to States
Administration: Administration for the Socioeconomic Development
Audit Finding: Reporting
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to finding 2010-19 and related corrective action plan.

Reference Number: 2009-17
CFDA: 10.568, 10.569, 10.569 ARRA
Federal Program: Emergency Food Assistance Program Cluster
Administration: Administration for the Socioeconomic Development
Audit Finding: Reporting, Special Test
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Partially corrected. Refer to finding 2010-20 and related corrective action plan.

Reference Number: 2009-18
CFDA: 10.566, 10.566 ARRA
Federal Program: Nutrition Assistance Program for Puerto Rico Cluster
Administration: Administration for the Socioeconomic Development
Audit Finding: Reporting
Questioned Cost: Could not be determined
Status of Corrective Action Plan: Remains uncorrected. Refer to findings 2010-16 and related corrective action plan.

Commonwealth of Puerto Rico

Department of the Family

Schedule of Prior Year Audit Findings 2009- continued

Reference Number: 2009-19

CFDA: 93.563

Federal Program: Child Support Enforcement

Administration: Administration for the Child Support Enforcement

Audit Finding: Eligibility and special tests

Questioned Cost: Could not be determined

Status of Corrective Action Plan: Partially corrected. Refer to finding 2010-22 and related corrective action plan.

CORRECTIVE ACTION PLAN

Commonwealth of PR, Department of the Family
 Secretary
 Corrective Action Plan - CAP
 Due Date: December 2010

Ref. Commonwealth of PR, Department of the Family - Single Audit Report - Fiscal Year ended 6/30/2010

Audit Period:

07-01-2009 to 06-30-2010

Audit Findings related to:

Department of the Family

Secretary / Administrator Name:

Yanitsia Irizarry Méndez

Federal Program and/or Division Tested:

All Mayor Programs Audited

Program / Division Director:

Mrs./ Mr.

Coordinators from D.F.

Mrs./ Mr.

Coordinator from Program / Division:

Mrs./Mr.

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-01 All Federal Programs Compliance/Internal Control Special Test And Provisions The Secretariat, Socioeconomic Development, Administration for Families and Children, Administration for the Integral Care and Development of the Children, Administration for the Child Support Enforcement	The PRDF shall enhance its accounting and financial reporting practices and policies to provide for accurate and complete financial information. In coordination with the Puerto Rico Department of Treasury (PRDF) should implement reporting system that permits the preparation of financial reports required by the different oversight entities including the need to supply information to the Commonwealth of Puerto Rico for its government wide reporting. The PRDF should perform monthly reconciliations of transactions recorded in the general ledger (PRIFAS) with the transactions recorded in the subsidiary ledger. Any reconciling item should be investigated and disposed of as deemed necessary, on a timely basis.	Secretariat Response: Our accounting system is designed in accordance with the law and regulations (Ley 230, Ley Contabilidad del Gobierno de PR). The accounting transactions are registered monthly in the subsidiaries. Subsequently, we make the reconciliations with the PRIFAS system established by the Puerto Rico Treasury Department. ASUME Response: a) Complete: Budget Office already segregated federal accounts of incentives account to cover specific activities and/or objectives. b) Objection: Our Finance Division makes appropriate and complete procedures related to month-end and year-end closing dates. ASUME uses GL-200 and GL-15 from Puerto Rico Department of Treasury (PRDF) that normally takes part of next month to complete the report.	December 2010	December 2010	María Molina Acting Finance Director			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
Continued	<p>The PRDF should evaluate and expand the chart of accounts to provide for identification of the amount expended for each program separately. The expansion of the chart of accounts should permit the tracing of funds to a level of expenditures adequate to establish that such funds have been not used in violation of the restrictions and prohibitions of each program.</p> <p>The PRDF should contact the Clearinghouse and the Federal agencies to ensure that the presentation of the financial statements in cash basis is acceptable.</p> <p>Questioned Costs: Could not be determined</p>	<p>c) Objection: Our budgeting controls are accurate and appropriate, since the Budget Division works with four Grants, which compose the Fiscal Year Budget, equal to PRIFAS budget and finance books.</p> <p>ACUDEN Response: We installed a mechanized application of budget control and financial transactions register (MIP) for federal and state funds administered by the Agency. It facilitates the reporting compliance with the federal government. The software is working 100% in central office and is partially used by Delegate Agencies.</p> <p>The system provides accurate and complete financial and budgetary results needed to prepare the federal reports on a timely matter.</p> <p>An external company with specific expertise in MIP will be contracted by April 2010 to assist us and finish the process with the delegate agencies. Training and technical assistance will be given to all the delegates to ensure domain and complete understanding of the system.</p> <p>ADSEF Response: Since there is no subsidiary ledger, no reconciliation between such and the general ledger is possible. However, this administration's procedures provides for ascertaining whether all expense items are duly recorded in PRIFAS.</p> <p>We understand that given the limitations of PRIFAS, the existing chart of accounts is sufficient to provide for identification of expenditures by each individual program. In addition, we currently track all disbursements by program in the internal budgeting system SacPre.</p>	December 2010	September 2011	Finance Division		X	
								X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
		<p>ADAFN Response: All grants received before fiscal year 2005 were registered at the Department of Treasury in global accounts (081), thus not allowing determining the amount of such expenditures in today's conventional way, but easily by just multiplying the grant amount by 10% (amount for administrative expenditures allowed) and then comparing it with the internal disclosure of the funds budgeted available and searching the expenditures reported by Finance Division.</p> <p>Since 2006, we have added subsidiary ledgers to the PRIFAS System for Promoting Safe and Stable Families Program to correct preceding audits.</p> <p>ADAFN prepared a Manual of Procedures and Functions to comply with the implementation for an accounting and financial management system.</p> <p>For the Fiscal Year 2008-2009, we added subsidiary ledgers to the PRIFAS System. The budget distribution on these is in accordance with the required percents: 90% for the four Eligible Entities (ASPRI, INSEC, Municipality of San Juan and Municipality of Bayamón); 5% for Community and Faith Organizations and the other 5% for administrative costs.</p>	March 2010		Angel Figueroa Medina Assistant Administrator			

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for Implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-02 All Federal Programs Compliance/Internal Control Special Test And Provisions The Secretarial, Administration for Families and Children, Administration for the Child Support Enforcement	We recommended that the Department of the Family implement procedures and controls to ensure that time and effort certifications are obligated from the employees on at least a semi-annual basis, stating the percentage of time worked in a specific program during the certification. Questioned Costs: Could not be determined	ASUME Response: ASUME already finished the procedures of obtaining the certifications to the employees that work for federal programs. Secretariat and ADFAN Response: At December 2010, we will begin with a working plan to comply with the requirement. We will certify those employees, which work 100% in federal programs. For this purpose we have created a form to document the employee's information.	December 2010 December 2010	December, 2010 December, 2010	Cecilia Rivera de Leon Human Resources Division Maria Luisa Torres Human Resource Division		X	X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total questioned costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-03 CDEA: 10.568, 10.568 ARRA, 96.001 Emergency Food Assistance Program, Social Security-Disability Insurance Compliance/Internal Control Cash Management The Secretariat, Administration for Families and Children, Administration for the Socioeconomic Development	We recommend the PRDF to establish adequate controls, which shall consider, among others, the following: a) Establish and implement written policies and procedures for all aspects of the programs, including controls for proper review and authorization during the processing of federal funds draw downs. Petition documents and its related supporting documentation shall be thoroughly reviewed before they are recorded and processed for refund. All fund petitions shall be properly authorized by the respective PRDF's representatives and shall be supported with all the required documentation. b) Provide adequate training to employees regarding each program requirements and proper claim for reimbursement processing procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed. Questioned Costs: Could not be determined	This finding does not apply to the Cash Management Unit, Budget Office, of the Secretariat. ADSEF Response: We will review the existing written procedures regarding the proper authorization and processing of federal draw downs with existing and new personal assigned to the funds petition process.	December 2010 December 2010	December 2010 December 2010	Gloria Hernández Budget Director Carlos Gómez Cruz Finance and Budgeting			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-04 CFDA: 14.850 Public and Indian Housing Compliance/ Internal Controls Eligibility, Special Test and Provisions Administration for Families and Children	We recommend that written policies and procedures be established outlining: a) responsibilities for determining the participants' eligibility; b) documents required to be included in the participants' files; and c) proper monitoring or follow up procedures to ascertain participants' compliance with eligibility requirements. Questioned Costs: Could not be determined	Objection: We presented a record, which will be used for selecting families to be admitted to the Public and Indian Housing program. In addition, we presented the evidence that this services was not provided because the participant was receiving services by another entity.	December 2010	December 2010	Administration for Families and Children			X
2010-05 CFDA: 93.563 Child Support Enforcement Compliance/Internal Control Matching, Level of Effort and Earmarking Administration for the Child Support Enforcement	The PRDF shall train the program's personnel, including the program's accountants and other employees in charge of the program's budget preparation on applicable federal regulations. This shall ensure that the budget is prepared following the federal guidelines and that those personnel in charge of approving and recording expenditures may prevent or detect and correct instances when expenditures incurred do not comply with the State share requirements. Program expenditures shall also be monitored to track state-level activities. The preparation on a periodic basis of a report summarizing these expenditures is a good tool for monitoring and follow up purposes. Questioned Costs \$1,560,386	ASUME Response: Despite the lack of automation, ASUME maintains manual records of maintenance expenditures. ASUME is in the process of implementing QUICKBOOKS accounting software, which is a proven solution that allows the preparation of periodic reports to prevent this finding.	December 2010	June 2011 2010	Waddy Mercado Maldonado Administrator		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per funding	Employee / Department Responsible for Implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
<p>2010-06 CFDA:93.569 Community Services Block Grant Compliance/Internal Control Matching, Level of Effort, Earmarking Administration for Families and Children</p>	<p>The PRDF shall train the program's personnel, including the program's accountants and other employees in charge of the program's budget preparation on those federal regulations requiring established percentages. They shall ensure that the budget is prepared following the federal guidelines. Personnel in charge of approving and recording expenditures shall have an understanding of the program in order to prevent, detect and correct instances when expenditures incurred do not comply with the percentage requirements. Program expenditures shall also be monitored to track state-level activities. The preparation on a periodic basis of a report summarizing these expenditures is a good tool for monitoring and follow up purposes.</p> <p>Additionally, we recommend the PRDF to expand the chart of accounts to provide for identification of the amount of funds expended for administrative expenditures. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.</p>	<p>For the Fiscal Year 2009-2010, we add subsidiary ledgers to the PRIFAS System. The budget distribution on these will be in accordance with the required percents: 90% for the four (4) Eligible Entities (ASPRI, INSEC, Municipality of Bayamón); 5% for discretionary projects and the rest 5% for administrative costs. We started making the detailed budget distribution as follows: A 90% Eligible Entities (4) B 5% Discretionary Funds C 5% Administrative Costs</p>	<p>December 2010</p>	<p>December 2010</p>	<p>Angel Figueroa Medina Assistant Administrator</p>	<p>X</p>		

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
Cont.	<p>Additionally, we recommend the PRDF to expand the chart of accounts to provide for identification of the amount of funds expended for administrative expenditures. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.</p> <p>We also recommend the PRDF to develop and implement written policies and procedures outlining: a) responsibilities for the accounting of such expenditures; and b) proper monitoring or follow up procedures to ascertain compliance with earmarking requirements.</p>							

Finding Number, Topic Sentence and Program Reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
<p>2010-07 CFDA: 14.850 Public and Indian Housing, Compliance/Internal Control Activities allowed or unallowed, Allowable costs/cost principles Matching, level of effort, earmarking, Procurement and suspension and debarment Administration for Families and Children</p>	<p>We recommend the PRDF to expand the chart of accounts to provide for identification of the amount of funds that the PRDF expended for each program separately. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of each program.</p> <p>We also recommend the PRDF to develop and implement written policies and procedures outlining: a) responsibilities for such expenditures; and b) proper monitoring or follow procedures to ascertain compliance with activities allowed or unallowed and allowable costs / cost principles requirements.</p> <p>Questioned Costs: Could not be determined</p>	<p>Objection: We presented the evidence of income and program cost provided by the Public Housing Administration.</p>	<p>December 2010</p>	<p>December 2010</p>	<p>Administration for Families and Children</p>			<p>X</p>

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-08 CFDA:93.667, Social Services Block Grant, Compliance/ Internal Controls Period of Availability Administration for Families and Children	We recommend the PRDF to establish adequate procedures and controls, which shall consider amount other, the following: a) The accounting system prevents obligation or expenditures of federal funds outside the period availability through the review of disbursements by persons knowledgeable of period availability requirements, specially just before and after cut-off dates; b) the timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditures, including automated notifications of pending deadlines; c) The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates. Questions costs Not applicable	AD/FAN Response: The expenditure occurred before the period of availability; however, in December 30, 2010 the AD/FAN adjusted the amount paid out of the period of availability against state funds available.	December 2010	December 2010	Angel Figueroa Medina Assistant Administrator			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total questioned costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-09 CFDA: 93.667 Social Services Block Grant Compliance/Internal Controls Reporting Families and Children Administration	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <ul style="list-style-type: none"> Prepare the financial reports accurately; and ensure the maintenance of accounting records, which adequately identify the source and application of funds provided for financially-assisted activities. <p>In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.</p> <p>Questioned Costs: Could not be determined</p>	<p>ADPAN Response: We object these findings, both are incorrect. We have a copy of the expenditures in the PRIFAS system at 9/30/2009 that agrees with the SFR-269.</p> <p>Our mechanized PRIFAS accounting system and RHUM payroll system works separately. Nevertheless, the Administration for Children and Families, PRDF, has adequate policies and procedures in order to prepare the federal reports accurately and within their required due dates according to program regulations. We have a copy of the evidence.</p>	December 2010	June 2011	Angel Figueroa Medina Assistant Administrator			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-10 CFDA: 93.563 Child Support Enforcement Compliance/Internal Controls Reporting Administration for the Child Support Enforcement	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <ul style="list-style-type: none"> →Prepare the financial reports accurately and within their required due dates; →Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant, and →Ensure the maintenance of accounting records, which adequately identify the source and application of funds, provided for financially-assisted activities. →Reconcile on a monthly basis the records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS). 	<p>ASUME Response: The PRDF will revise its accounting practices and policies and establish reliable and uniform procedures in coordination of each administration.</p> <p>ASUME is being working with a consulting firm to develop a customized a mechanized application of budget control and financial transactions.</p> <p>The system will provide accurate and complete financial and budgetary results needed to prepare the financial reports, to ensure the maintenance of accounting records and a monthly reconciliation of each accounts.</p>	December 2010	June 2011	Waddy Mercado Maldonado Administrator		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-11 CFDA: 93.569 Community Services Block Grant Compliance/Internal Controls Reporting Administration for Family and Children	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <ul style="list-style-type: none"> ->Prepare the financial reports accurately and within their required due dates; ->Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and ->Ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities. <p>In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner</p>	<p>ADFAN Response: We object those findings, both are incorrect. We have copy of the expenditures in the PRIFAS system at 9/30/2009 that agrees with the SFR-269.</p>	December 2010	June 2011	Angel Figueroa Medina Assistant Administrator			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for Implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
<p>2010-12</p> <p>CFDA: 93.600, 93.575, 93.708, 93.713</p> <p>Head Start, Child Care and Development Block Grant</p> <p>Compliance/ Internal Controls</p> <p>Reporting</p> <p>Administration for the Integral Care and Development of the Children</p>	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <p>→Prepare the financial reports accurately and within their required due dates;</p> <p>→Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and</p> <p>→Ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.</p> <p>In additions, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner</p>	<p>ACUDEN Response: ACUDEN installed a mechanized application of budget control and financial transactions register (MIP) for federal and state funds administered by the Agency. It facilitates the reporting compliance with the federal government. The software is working 100% in central office and is partially been used by Delegate Agencies.</p> <p>The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter.</p> <p>An external company with specific expertise in MIP will be contracted by April 2010 to assist us and finished the process with the delegate agencies. Training and technical assistance will be given to all the delegates to ensure domain and complete understanding of the system.</p>	December 2010	June 2011	Auxiliary Administrator of Administration		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
<p>2010-13 CFDA: 93.600 Head Start Compliance/ Internal Controls Reporting Administration for the Integral Care and Development of the Children</p>	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <ul style="list-style-type: none"> →Prepare the financial reports accurately and within their required due dates; →Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and →Ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities. <p>In additions, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner</p>	<p>ACUDEN Response: ACUDEN installed a mechanized application of budget control and financial transactions register (MIP) for federal and state funds administered by the Agency. It facilitates the reporting compliance with the federal government. The software is working 100% in central office and is partially been used by Delegate Agencies.</p> <p>The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter.</p> <p>An external company with specific expertise in MIP was contracted on April 2010 to assist us and finished the process with the delegate agencies. Training and technical assistance will be given to all the delegates to ensure domain and complete understanding of the system.</p>	December 2010	June 2011	Auxiliary Administrator of Administration		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-14 CFDA: 93.713 Child Care and Development Block Grant (ARRA) Compliance/Internal Controls Reporting Administration for the Integral Care Development of the Children	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <p>→Prepare the financial reports accurately and within their required due dates;</p> <p>→Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and</p> <p>→Ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities.</p> <p>In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner</p>	<p>ACUDEN Response: ACUDEN installed a mechanized application of budget control and financial transactions register (MIP) for federal and state funds administered by the Agency. It facilitates the reporting compliance with the federal government. The software is working 100% in central office and is partially been used by Delegate Agencies.</p> <p>The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter.</p> <p>An external company with specific expertise in MIP was contracted on April 2010 to assist us and finished the process with the delegate agencies. Training and technical assistance will be given to all the delegates to ensure domain and complete understanding of the system.</p>	December 2010	June 2011	Auxiliary Administration of Administration		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-15 CDFA: 93.708 Head Start (ARRA) Compliance/ Internal Controls Reporting Administration for the Integral Care and Development of the Children	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <ul style="list-style-type: none"> →Prepare the financial reports accurately and within their required due dates; →Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant; and →Ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities. <p>In additions, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner</p>	<p>ACUDEN Response: ACUDEN installed a mechanized application of budget control and financial transactions and register (MIP) for federal and state funds administered by the Agency. It facilitates the reporting compliance with the federal government. The software is working 100% in central office and is partially been used by Delegate Agencies.</p> <p>The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter.</p> <p>An external company with specific expertise in MIP was contracted on April 2010 to assist us and finished the process with the delegate agencies. Training and technical assistance will be given to all the delegates to ensure domain and complete understanding of the system.</p>	December 2010	June 2011	Auxiliary Administrator of Administration		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-16 CFDA: 10.566, 10.566 (ARRA) Nutrition Assistance Programs for Puerto Rico Compliance/Internal Controls Reporting Administration for the Socioeconomic Development	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to:</p> <ul style="list-style-type: none"> →Prepare the financial reports accurately and; →ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities. <p>In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner.</p>	<p>ADSEF Response: Federal Financial Reports for each program are submitted accurately and on time. For each report there is the necessary supporting documentation which includes information from the government accounting system PRIFAS to substantiate the income and the expenses in such reports.</p>	December 2010	December 2010	Carlos Gómez Cruz Finance and Budgeting			x

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for Implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-17 CFDA: 10-568 Emergency Food Assistance Program (Administrative Costs) Compliance/Internal Controls Reporting Administration for the Socioeconomic Development	We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to: →Prepare the financial reports accurately and; →ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities. In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner.	ADSEF Response: Federal Reports for each program are submitted accurately and on time. For each report there is the necessary supporting documentation which includes information from the government accounting system PRIFAS to substantiate the income and the expenses in such reports.	December 2010	December 2010	Carlos Gómez Cruz Finance and Budgeting			x

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-18 96.001 Social Security-Disability Insurances Compliance/ Internal Controls Reporting The Secretariat	We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to: →Prepare the financial reports accurately and; →ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities. In addition, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner.	Secretariat Response: The reporting for the Disability Determination Program requires to include all pending obligations as follows: → Recorded in PRIFAS, → In process of recording, → In transit of being received by the Finance Office, → In process of certification by the Program. The Program, in coordination with the Office of Budget, where the required reports are prepared, established procedures to insure that all the obligation at the closing date of the reports are included. The amounts of the obligations included in the reports will never coincide with amounts of obligation included in PRIFAS.	December 2010	December 2010	Carlos Gómez Cruz Finance and Budgeting			x

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-19 CFDA: 93.558, 93.560 Temporary Assistance for Needy Families, Family Support Payment to States- Assistance Payments Compliance/ Internal Controls Reporting Administration for the Socioeconomic Development	<p>We recommend the PRDF to develop and implement a formal policies and procedures manual that prescribes uniform procedures on the frequency, format and content of each report so that the record keeping system provides the information necessary to prepare the Federal reports accurately and within their required due dates.</p> <p>In addition, we recommend the preparation of a monthly reconciliation of the internal accounting records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner.</p> <p>Questioned Costs: Could not be determined</p>	<p>ADSEF Response: Federal Financial Reports for each program are submitted accurately and on time. For each report there is the necessary supporting documentation which includes information from the government accounting system PRIFAS to substantiate the income and the expenses in such reports.</p>	December 2010	December 2010	Carlos Gómez Cruz Finance and Budgeting			x

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per funding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-20 10.569, 10.569 ARRA Emergency Food Assistance Program (Commodities) Compliance/Internal Controls Reporting, Special Test and Provisions Administration for the Socioeconomic Development	The PRDF shall take a physical inventory of all storage facilities. Such inventory shall be reconciled periodically with the storage facility's inventory records and maintained on file by the agency which contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 CFR section 250.14(e)). Questioned Costs: Could not be determined	ADSEF has developed an application (Web-based) to manage and control the inventory of food in the warehouse. The application is in the testing stage and is 75% developed. The remaining 25% consisting of adapting the recommendations by the team for validation of the users, scanners, peripherals label machine and the roll out of the application. The system provides greater detail in classifying all food arriving to the warehouse and adds greater control over all movements of the inventory of food distributed weekly, monthly and annually. The information recorded in the system shall be reconciled periodically with the storage facility's inventory records. The system also allows for the preparation and maintenance of physical and perpetual inventory, in addition to all federal report required by the federal government.	December 2010	June 2011	Elaine D. Porrata Toro Administration for the Socioeconomic Development		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per funding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2010-21 CFDA: 93.569, 93.569 (ARRA) Community Services Block Grant Compliance/Internal Controls Sub recipients Monitoring Administration for Families and Children	<p>When funds are advanced, the PRDF must have procedures to minimize the time elapsing between the transfer of funds to the sub recipient and disbursement. When advance payment procedures are used, the PRDF must review and concur with the sub recipient's established procedures.</p> <p>The PRDF should:</p> <ul style="list-style-type: none"> -Determine if cash advance or drawdown's are only for amounts necessary for immediate cash needs. -Determine if excess cash for the immediate needs of the program. <p>We recommend the PRDF to use the following guidelines to timely monitor the sub recipients compliance with federal programs requirements:</p> <ul style="list-style-type: none"> -Perform site visits to sub recipients to review financial and programmatic records, observe operations, establish regular contacts with sub recipients, and make appropriate inquiries concerning the federal programs. -Review sub recipients reports and follow-up on areas of concerns, monitor sub recipients budgets and offer technical assistance when needed. -Official written policies and procedures shall be reviewed to establish communication of federal award requirements to sub recipients, responsibilities for monitoring, and process and procedures for monitoring. Such policies and procedures shall also include the methodology for resolving finding of sub recipients noncompliance or weaknesses in internal control, and the requirements for and processing of sub recipients audits, including appropriate adjustments of pass-through entities accounts. 	<p>ADPAN Response: Currently, the monitoring process continues for all Eligible Entities, it is an ongoing process that includes the analysis and discussion of the Entities' quarterly reports. The ADPAN CSBG Program Specialists analyze the reports and then hold meetings with Entities' staff to discuss the reports and determine compliance with the Work Plan. Furthermore, technical assistance is provided in order to improve data collection and reporting of outcomes for the Entities' services and programs. CSBG Program Specialists also provide ongoing technical assistance to the fiscal area, especially for the funds request process. This technical assistance is provided in ADPAN or at the Entities' offices.</p> <p>ADPAN maintains frequent and continuous communication with all Eligible Entities. One of the strategies is through quarterly meetings were the four Eligible Entities meet with ADPAN CSBG Program staff and discuss issues that are pertinent to CSBG and to the CAA Network (e.g. ARRA funding, CSBG State Plan, CSBG I/S). During these meetings, CSBG Program Specialists also meet individually with Entities' staff to discuss pending matters; educational activities are also incorporated in these meetings.</p> <p>ADPAN invested in the Outcome Results System - which is web-based software for tracking outcome information for the Eligible Entities. Executive and direct-service employees of the 4 Eligible Entities and of the PRCAA were trained during December on ORS.</p>	December 2010	June 2011	Angel Figueroa Medina Assistant Administrator		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
	<p>→Issuance of timely management decisions to inform the sub recipients about whether the corrective action plans for audit and monitoring finding is acceptable.</p> <p>→Maintain a system to track and follow-up on reported deficiencies related to activities funded with this program and ensure that timely corrective action is taken.</p>	<p>The PRCAA was instrumental in this initiative. Prior to the December training, the Association provided basic computer training to the direct service personnel of the Eligible Entities that would be entering data on the system. This step is crucial for the successful implementation of the system. Improving data collection mechanisms</p>						
<p>2010-22 CFDA: 93.563 Child Support Enforcement Compliance/Internal Controls Eligibility and Special Test and Provisions Administration for the Child Support Enforcement</p>	<p>We recommend the PRDF to perform a review of the participants' files that have been determined to be ineligible for the program to ensure that it contains the complete documentation supporting the determination of eligibility.</p> <p>We also recommend that written policies and procedures be established outlining: a) responsibilities for determining the participants' eligibility; b) documents to be included in the participants' files; and c) proper monitoring or follow up procedures to ascertain compliance with eligibility requirements.</p> <p>Questioned Costs: Could not be determined</p>	<p>ASUME Response: Regarding the documents that must be in the participant's file, we will request the Program Audit Unit to monitor periodically the files to ensure the case file is complete.</p> <p>ASUME is near to finish the revision of Guideline of Standards and Procedures (Manual de Normas y Procedimientos) which never had been revised since the beginning of the Administration.</p>	December 2010	June, 2011	Mrs. Carmen Santos Director		X	