

Financial Statements

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2009**

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
FISCAL YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS

Financial Section

Independent auditor's report	1
Statement of Receipts and Disbursements	3
Notes to Statement of Receipts and Disbursements	4

Supplementary Information

Schedule of Receipts and Disbursement- budget and actual – general fund budgetary basis-unaudited	9
Schedule of expenditures of federal award	10
Notes to the schedule of expenditures of federal award	12

Compliance Section

Independence auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statement performed in accordance with government auditing standards	14
Independence auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133	17
Schedule of findings and questioned costs	21

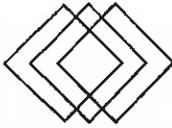
Summary Schedule of Prior Year Audit Findings

Corrective Action Plan



FINANCIAL SECTION





Aquino, DeCordova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Richard N. Alfaro, CPA (1951-1998)

Jorge Aquino Barreto, CPA, CVA
Jerry De Córdova, CPA, JD
Miguel Angel Ortiz, CPA
Eduardo González-Green, CPA, CFE

Independent Auditor's Report

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

We have audited the accompanying Statement of Receipts and Disbursement (the "Statement") of the Department of the Family of the Commonwealth of Puerto Rico (the "PRDF") for the year ended June 30, 2009. 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 State of America.

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

In accordance with *Government Auditing Standards* we have also issued our report dated March 26, 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 such report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Such report is an integral

part of an audit performed in accordance with Governmental Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the PRDF's Statement of 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 has been subjected to the auditing procedures applied in our audit of the Statement and, in our opinion, is fairly stated, in all material respect, in relation to the Statement taken as a whole. The accompanying Schedule of Receipts and Disbursements – Budget and Actual – General Fund – Budgetary Basis – Unaudited is presented for the purpose of providing additional analysis and is not required as part of the Statement. Such information has not been subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we do not express an opinion.

As discussed in the Note F 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 F to the Statement.

March 26, 2010

Aquino, DeCordova, Alfaro & Co. LLP

Stamp number 2484498
has been affixed to the
original report



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Receipts			
Grants and contributions	\$ -	\$ 2,199,005,089	\$ 2,199,005,089
Legislative appropriations and other assignments	368,869,918	-	368,869,918
	<u>368,869,918</u>	<u>2,199,005,089</u>	<u>2,567,875,007</u>
Disbursements			
Personnel:			
Salaries and fringe benefits:			
Regular employees	205,672,599	101,163,162	306,835,761
Transitory employees	21,410,741	1,452,181	22,862,922
Irregular employees	3,021,588	1,690,333	4,711,921
	<u>230,104,928</u>	<u>104,305,676</u>	<u>334,410,604</u>
Non-personnel:			
Advertising	830,424	100,226	930,650
Capital outlays	2,015,985	1,879,757	3,895,742
Donations, grants and other distributions	81,220,958	2,028,814,246	2,110,035,204
Facilities and utilities	12,342,938	4,581,700	16,924,638
Materials	2,326,829	1,259,339	3,586,168
Miscellaneous services	41,386,844	14,589,941	55,976,785
Operating transfers	(1,671,355)	15,814,927	14,143,572
Other	4,768,596	2,526,302	7,294,898
Payment of prior years' liabilities	2,905,465	-	2,905,465
Professional services	23,202,301	12,743,574	35,945,875
Transportation and subsistence	2,224,360	1,204,092	3,428,452
	<u>171,553,345</u>	<u>2,083,514,104</u>	<u>2,255,067,449</u>
	<u>401,658,273</u>	<u>2,187,819,780</u>	<u>2,589,478,053</u>
Excess (Deficiency) of receipts over disbursements	\$ (32,788,355)	\$ 11,185,309	\$ (21,603,046)

See accompanying notes to schedule of cash receipts and disbursements.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 toward the solution or mitigation of social problems in Puerto Rico, including social service 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 welfare of children, young people 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 at 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 also composed of the Social Security - Disability Insurance, which is responsible for documenting, evaluating and adjudicating all disability claims made to the Social Security by insured workers, their widows (if between 50 and 59 years old) and disabled dependents at least 18 years old. Additionally, the Secretariat facilitates the procedures to obtain information and counsels 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 descendants of people older than 60 years; and iii) the people legally responsible for contributing to the support and welfare of the children and elderly parents, safeguarding their rights to receive alimony and increasing the auto-sufficiency of the families by applying the legal mechanisms available.



**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 auto-sufficiency and integration to the social system in a productive way; and ii) the familiar and community common living.
5. The Integral Care and Development of the Children Fund Administration, is responsible for guarantying the care and integral 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 over sign 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 economical 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 appropriations 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 reflects the federal financial assistance managed by the PRDF for programs funded by the Federal Government that is legally restricted to expenditures for specific purposes).

Basis of accounting

The PRDF accounts for all funds administered in the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, all transactions relating to the funds are recognized as either cash receipts or cash disbursements. 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 administered by the Employees' Retirement System of the Government of Puerto Rico and its instrumentalities, which is a cost-sharing multiple employer plan. Employees must contribute 5.775% for the first \$550 of their monthly gross salary and 8.275% for the salary in excess of \$550. The PRDF contributes 9.275% of total gross salaries.



**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE B - RETIREMENT PLANS - CONTINUED

Defined contribution plan

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 to the participant's spouse. 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 a lump-sum or purchasing an annuity contract in case of permanent disability.

Total employer contributions made to both employee benefit plans during the year ended June 30, 2009, amounted to \$13,599,018 paid with state funds and \$6,295,223 paid with federal funds.

NOTE C - COMPENSATED ABSENCES

Regular employees accrue regular 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, 2009, rates in the indirect cost allocation plan approved by HHS ranged from 8% to 18.5%

NOTE E - COMMITMENTS

The PRDF is obligated under certain leases accounted for as operating leases. Rent paid during the fiscal year ended June 30, 2009, under these lease agreements amounted to approximately \$28 millions.



**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE F - 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.

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 July 9, 2008, 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, 2008, 2007, 2006 and 2005, amounted to \$24,894,257, \$13,967,692, \$16,816,422, 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 those potential claims has been asserted or threatened. The settlement of the claims could require a potential payment in an amount that could be material.

The Independent Auditors' Reports in the compliance section included on pages 13 through 20 discloses several significant deficiencies, some of which were considered to be material weaknesses and instances of noncompliance with applicable laws and regulations. Additionally, the accompanying Schedule of Findings and Questioned Costs includes questioned costs amounting to \$3,470,455

The PRDF is also audited by the Office of the Controller for Puerto Rico (the "Controller") and the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services (HHS). The Controller 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 RECEIPTS AND DISBURSEMENTS – BUDGET AND ACTUAL – GENERAL
FUND – BUDGETARY BASIS - UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>over (under)</u> <u>budget</u>
Receipts			
Legislative appropriations	\$ 347,756,000	\$ 347,756,000	\$ -
Disbursements			
Personnel:			
Salaries and fringe benefits:			
Regular employees	216,944,764	196,902,784	(20,041,980)
Transitory employees	1,939,527	20,564,632	18,625,105
Irregular employees	52,357	2,804,084	2,751,727
	<u>218,936,648</u>	<u>220,271,500</u>	<u>1,334,852</u>
Non-personnel:			
Advertising	1,925,071	322,196	(1,602,875)
Capital outlays	2,154,517	673,909	(1,480,608)
Donations, grants and other distributio	38,266,675	62,725,729	24,459,054
Facilities and utilities	17,119,105	9,711,726	(7,407,379)
Materials	2,261,275	1,260,648	(1,000,627)
Miscellaneous services	40,074,836	33,338,954	(6,735,882)
Operating transfers	4,220,622	3,698,765	(521,857)
Other	3,396,053	2,628,537	(767,516)
Payment of prior years' liabilities	1,142,385	1,699,359	556,974
Professional services	15,331,180	7,463,479	(7,867,701)
Reserve	436,785		(436,785)
Transportation and subsistence	2,490,848	2,063,302	(427,546)
	<u>128,819,352</u>	<u>125,586,604</u>	<u>(3,232,748)</u>
	<u>347,756,000</u>	<u>345,858,104</u>	<u>(1,897,896)</u>
Excess (Deficiency) of receipts over disbursements	<u>\$ -</u>	<u>\$ 1,897,896</u>	<u>\$ 1,897,896</u>



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Agency/Pass-Through Agency/Program Title	Federal Catalog Number	Federal Expenditures
U.S. Department of Agriculture / Pass-through the Puerto Rico Department of Education		
Child and Adult Care Food Program	10.558	\$ 9,453,372
U.S. Department of Agriculture		
<i>Nutrition Assistance Program for Puerto Rico Cluster:</i>		
Nutrition Assistance Program for Puerto Rico	10.566	1,733,732,700
Nutrition Assistance Program for Puerto Rico	10.566 ARRA	90,078,350
		<u>1,823,811,050</u>
<i>Emergency Food Assistance Program Cluster:</i>		
Emergency Food Assistance Program (Administrative Cost)	10.568	2,348,308
Emergency Food Assistance Program (Commodities)	10.569	8,488,072
Emergency Food Assistance Program (Commodities)	10.569 ARRA	140,214
		<u>10,976,594</u>
U.S. Department of Housing and Urban Development		
Emergency Shelter Grants Program	14.231	4,913,667
U.S. Department of Housing and Urban Development / Pass-through the Puerto Rico Housing Department		
Public and Indian Housing	14.850	1,016,306
U.S. Department of Labor		
Senior Community Service Employment Program	17.235	1,177,385
U.S. Federal Emergency Management Agency / Pass through the State Emergency Management Agency		
Disaster Assistance Program	83.516	60,574
Individual and Family Grants	83.543	- 9,016
		<u>51,558</u>
U.S. Department of Health and Human Services		
Promoting Safe and Stable Families	93.556	8,310,488
Temporary Assistance for Needy Families	93.558	54,171,572
Family Support Payment to State- Assistance Payment	93.560	24,206,296
Child Support Enforcement	93.563	30,897,989
Low Income Home Energy Assistance	93.568	7,138,530
		Continue

See accompanying notes to schedule of federal awards.

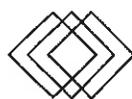


COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Federal Agency/Pass-Through Agency/Program Title	Federal Catalog Number	Federal Expenditures
Community Services Block Grant	93.569	20,278,721
Child Care and Development Block Grant	93.575	43,985,768
Community Based Family Resources Program	93.590	313,011
Access and Visitation Program Grant	93.597	219,549
Chafee Foster Care Independence Program	93.599	477,728
Head Start	93.600	116,489,552
Children Justice Grants to States	93.643	111,393
Child Welfare Services - State Grants	93.645	5,378,220
Foster Care - Title IV-E	93.658	1,760,912
Adoption Assistance	93.659	231,114
Social Services Block Grant	93.667	16,587,634
Child Abuse and Neglect – State Grants	93.669	80,234
Domestic Violence	93.671	1,268,864
Chafee Foster Care Independence Program	93.674	1,683,971
		<u>333,591,546</u>
U.S. Corporation for National and Community Services		
Retired Senior Volunteers	94.002	362,143
U.S. Social Security Administration		
Social Security – Disability Insurance	96.001	11,094,445
Total Federal Award Expenditures		<u>\$2,196,448,066</u>

← Amount include value of commodities (Non-Cash Assistance)

See accompanying notes to schedule of federal awards



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The Schedule of Federal Awards 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 of Federal Assistance indentified some programs as clusters. A cluster of programs means federal programs with different CFDA numbers that are closely related programs that share common requirements.

NOTE C-TRANSFERABILITY

For purposes of the Schedule of Expenditures of Federal Awards, 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 \$5,508,313 and \$13,819,667 respectively, were included in the total expenditures of the receiving program.

NOTE D -RECONCILIATION WITH THE STATEMENT OF RECEIPTS AND DISBURSEMENT

The Schedule of Expenditures of Federal Assistance included the 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 Receipts and Disbursement. The total amount used of the entitlement received during the fiscal year ended June 30, 2009 was \$8,628,286.

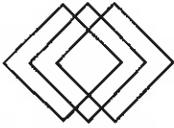
Reconciliation between the Schedule and the Statement is as follows:

Federal Expenditures per Schedule of Federal Awards	\$ 2,196,448,066
Less: Entitlement amount of Food Commodities	<u>8,628,286</u>
Federal expenditures per Schedule of Receipts and Disbursements	<u>\$ 2,187,819,780</u>



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





Aquino, De Córdova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Richard N. Alfaro, CPA (1951-1998)

Jorge Aquino Barreto, CPA, CVA
Jerry De Córdova, CPA, JD
Miguel Angel Ortiz, CPA
Eduardo González-Green, CPA, CFE

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 Disbursement (the "Statement") of the Department of the Family of the Commonwealth of Puerto Rico (the "PRDF") for the fiscal year ended June 30, 2009. 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 cash basis, 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 PRDF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, 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 or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the basis of accounting described in Note A to the Statement such that there is more than a remote likelihood that a misstatement of the PRDF's Statement that is more than inconsequential will not be prevented or detected by the PRDF's internal control.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and questioned cost as Findings No. 2009-01, 2009-02 and 2009-12 through 2009-18.

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

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

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. 2009-01 through 2009-19.

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.



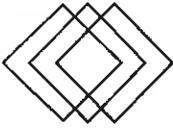
This report is intended solely for the information and use of the management and officials of the Puerto Rico Department of the Family, the Commonwealth of Puerto Rico, the United States Department of Health and Human Service (cognizant agency), federal awarding agencies, pass-through entities, and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2010

Aquino, DeCordova, Alfaro & Co. LLP

Stamp number 2484499
has been affixed to the
original report





Aquino, De Córdova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Richard N. Alfaro, CPA (1951-1998)

Jorge Aquino Barreto, CPA, CVA
Jerry De Córdova, CPA, JD
Miguel Angel Ortiz, CPA
Eduardo González-Green, CPA, CFE

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

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

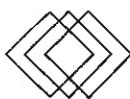
Compliance

We have audited the compliance of the Puerto Rico Department of the Family (the "PRDF") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the fiscal year ended June 30, 2009. The PRDF's major federal programs are identified in the summary of the auditor's 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 in 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 general 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. 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)	Catalog of Federal Domestic Assistance Number
2009-02	Allowable cost/Cost principle	All programs	All programs
2009-03	Cash Management	Nutrition Assistance Program for Puerto Rico Cluster Temporary Assistance for Needy Families Community Service Block Grant Child Care and Development Block Grant Head Start	10.566,10.566 ARRA 93.558 93.569 93.575 93.600
2009-04	Cash Management	Child and Adult Care Food Program Emergency Food Assistance Program Cluster Promoting Safe and Stables Families Low Income Home Energy Assistance Social Security- Disability Insurance	10.558 10.568,10.569, 10.569ARRA 93.556 93.568 96.001
2009-05	Matching, Level of Effort and Earmarking	Child Support Enforcement	93.563
2009-06	Matching, Level of Effort and Earmarking	Community Service Block Grant	93.569
2009-07	Activities allowed or unallowed, Allowable costs/cost principles, Matching, level of effort, earmarking, procurement, suspension and debarment	Emergency Food Assistance Program Cluster Public and Indian Housing Temporary Assistance for Needy Families Family Support Payment to States-Assistance Payments Social Service Block Grant	10.568, 10.569, 10.569 ARRA 14.850 93.558 93.560 93.667
2009-08	Matching, Level of Effort and Earmarking	Child Care and Development Block Grant	93.575
2009-09	Matching, Level of Effort and Earmarking	Nutrition Assistance Program for Puerto Rico Cluster	10.566,10.566 ARRA
2009-10	Period of availability	Low Income Home Energy Assistance	93.568
2009-11	Subrecipient monitoring	Community Service Block Grant	93.569
2009-12	Reporting	Social Security- Disability Insurance	96.001
2009-13	Reporting	Child Support Enforcement	93.563
2009-14	Reporting	Promoting Safe and Stables Families Child Care and Development Block Grant Low Income Home Energy Assistance Community Service Block Grant Social Service block Grant Head Start	93.556 93.575 93.568 93.569 93.667 93.600
2009-15	Reporting	Emergency Food Assistance Program Cluster	10.568, 10.569 10.569 ARRA
2009-16	Reporting	Temporary Assistance for Needy Families Family Support Payment to States- assistance Payments	93.558 93.560
2009-17	Reporting, Special test	Emergency Food Assistance Program Cluster	10.566, 10.566 ARRA
2009-18	Reporting	Nutrition Assistance Program for Puerto Rico Cluster	10.568, 10.569, 10.569 ARRA
2009-19	Eligibility, Special test	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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures 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 2009-01.

Internal Control Over Compliance

The 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, 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 would not necessarily identify all deficiencies in the PRDF's internal control that might be significant deficiencies or material weaknesses as define below. However, as discussed below, we indentified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 2009-01 through 2009-19 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with the type of compliance requirements of a federal program will not be prevented or detected by the entity's internal control.

Of the significant deficiencies in internal control over compliance described in the accompanying



schedule of findings and questioned costs, we consider Findings No. 2009-02 through 2009-19 to be material weaknesses.

The PRDF's responses to the findings identified in our audit are 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 is 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.

March 26, 2010

Aquino, De Cordova, Alfaro & Co. LLP

Stamp number 2484500
has been affixed to the
original report



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, 2009

Summary of Auditor's Results

- 1- The independent auditor's report on the Statement of Receipts and Disbursements expressed an unqualified opinion. Also, it reported that such statement was prepared using the statutory 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- Significant deficiencies on internal control over compliance with requirements applicable to major federal award programs expressed the following types of opinion on each major program:

CFDA	Program	Type of opinion
10.558	Child and Adult Care Food Program	Qualified
10.566, 10.566ARRA	<i>Nutrition Assistance Cluster:</i> Nutrition Assistance Program for Puerto Rico	Qualified
10.568, 10.569, 10.569 ARRA	<i>Emergency Food Assistance Cluster:</i> Emergency Food Assistance Program (Administrative Cost), Emergency Food Assistance Program (Commodities)	Qualified
14.850	Public and Indian Housing	Qualified
93.556	Promoting Safe and Stable Families	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
93.568	Low Income Home Energy Assistance	Qualified
93.569	Community Service Block Grant	Qualified
93.575	Child Care and Development Block Grant	Qualified
93.600	Head Start	Qualified
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.
- 6- A threshold of \$6,589,344 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.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

8- The PRDF's major programs were the followings:

CFDA Number	Program	Questioned Cost
10.558	Child and Adult Care Food Program	
10.566, 10.566ARRA	<i>Nutrition Assistance Cluster:</i> Nutrition Assistance Program for Puerto Rico	\$769,563
10.568, 10.569, 10.569 ARRA	<i>Emergency Food Assistance Cluster:</i> Emergency Food Assistance Program (Administrative Cost), Emergency Food Assistance Program (Commodities)	
14.850	Public and Indian Housing	
93.556	Promoting Safe and Stable Families	
93.558	Temporary Assistance for Needy Families	
93.560	Family Support Payment to States- Assistance Payment	
93.563	Child Support Enforcement	2,655,117
93.568	Low Income Home Energy Assistance	45,775
93.569	Community Service Block Grant	
93.575	Child Care and Development Block Grant	
93.600	Head Start	
93.667	Social Service Block Grant	
96.001	Social Security- Disability Insurance	
		<u>\$3,470,455</u>



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number: 2009-01

Federal Program: All programs

Category: Compliance/Internal Control

Compliance Requirements: Special Test and Provision

Administrations: The Secretarial, 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

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) Accounting records. Grantees and subgrantees and 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 subgrant 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, 2009

Condition

The PRDF maintain their 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, 2009, 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 therein. 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

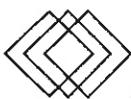
The lack of adequate accounting and financial reporting practices and policies causes the PRDF to be unable to prepare accurate and complete financial reports.

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 Puerto Rico Department of Treasury (PRDF) should implement and 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, 2009

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 been not 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 in 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, 2009

Finding Number: 2009-02

Federal Program: All programs

Category: Compliance/Internal Control

Compliance Requirements: Allowable Cost/Cost Principle

Administrations: The Secretarial, 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

Criteria

OMB Circular A-87 "Attachment 13 (8)(h) (3 and 4) " establishes that employees certificates must be obtained for employees who's 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 will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. This certification must be kept in 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, 2009

Condition

We noted that the Department of the Family does not have adequate supporting documentation to substantiate payroll costs claimed for federal reimbursement. They have not 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 Department of the Family is not in compliance with federal allowability guidelines to allocate time to grants based on actual time spent working on each program. In addition, inadequate documentation and lack of required certifications may result in the federal funds being expended for unallowable purposes.

Questioned costs

Could not be determined

Recommendation

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 program 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, 2009

Finding Number: 2009-03

Federal Catalog Numbers: 10.566, 10.566 ARRA, 93.558, 93.575, 93.569, 93.600

Federal Program Titles: Nutrition Assistance Program for Puerto Rico Cluster, Temporary Assistance for Needy Families, Child Care and Development Block Grant, Community Service Block Grant, Head Start

Category: Compliance/Internal Control

Compliance Requirement: Cash Management

Administrations: Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for Families and Children

Criteria

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.

Sections (a) and (b) of 7 CFR 3016.42 and 45 CFR 92.42 establish that all financial and programmatic records, supporting documents, statistical records, and other records of grantees or sub grantees are required to be maintained by the terms of this part, program regulations or the grant agreement, or otherwise reasonably considered pertinent to program regulations or the grant agreement. Records must be retained for three years except as otherwise provided.

31 CFR 205.15 establishes that a State interest liability may accrue if Federal funds are received by a State prior to the day the State pays out the funds for Federal assistance program purposes. State interest liability accrues from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for Federal assistance program purposes.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Criteria - continued

31 CFR Section 205.20 establishes that states must use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns is auditable and accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

31 CFR Section 205.33 establishes that states must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.

Condition

During the fiscal year ended June 30, 2009, the PRDF requested federal funds covered by the Treasury-State Agreement. 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.

Nutrition Assistance Program for States

During the audit procedures over cash management, we noted that in one transactions tested, the check was cleared in the CMIA account held at the Governmental Development Bank; however, no relevant information related to the petition of funds was available for examination. Accordingly, we were unable to test compliance with cash management requirements. Information identifying the transaction is presented below:

Voucher Number	Voucher Date	Check No.	Date Cleared	Amount
9675748	12/8/2008	2250276	4/15/2009	\$51,732

Temporary Assistance for Needy Families

We noted that on December 2008, the PRDF requested a reimbursement for the amount of \$10,123,536 and the amount of \$3,372,250 from expenditures incurred but not requested in prior years related to the grant for the fiscal year 2004 and 2005 respectively.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition - continued

The amount of expenditures requested for reimbursement was determined by comparing the total expenditures made by the Administration in the fiscal year 2004 and 2005, as reported in the ACF-196-TR (Territorial Financial Report) with the cash collected per accounting records. As a result, the PRDF was not able to prove detailed documentation to support the expenditures.

Those years were audited by other auditors.

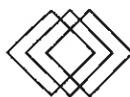
Child Care and Development Block Grant

In four (4) out of the twenty five (25) disbursement transactions tested, the check was cleared in the CMIA account held at the Governmental Development Bank; however, no relevant information related to the petition of funds was available for examination. Accordingly, we were unable to test compliance with cash management requirements. Information identifying the transaction is presented below:

Voucher Number	Voucher Date	Check No.	Date Cleared	Amount
09009520	9/2/2008	02189007	11/4/2008	\$ 4,000
09011058	3/10/2009	02263678	6/2/2009	49,947
09011299	3/31/2009	02278106	05/27/09	114
09009333	7/31/2008	02174968	8/26/2008	188

In two (2) out of the twenty five (25) disbursement transactions tested, the Federal funds were received by the PRDF prior to the day the PRDF paid out (check clearance date) the funds for Federal assistance program purposes. The detail of this transaction follows:

Voucher Number	Voucher Date	Check No.	Date Cleared	Amount	Credit Notice No.	Credit Notice Date	Days Elapsed
09009193	7/16/2008	02170220	8/20/2008	\$ 255,383	0155	8/14/2008	(6)
09009258	7/24/2008	02171996	9/12/2008	321,567	0155	8/14/2008	(29)



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition - continued

Head Start

In four (4) out of twenty five (25) disbursement transactions tested, the check was cleared in the CMIA account held at the Governmental Development Bank; however, no relevant information related to the petition of funds was available for examination. Accordingly, we were unable to test compliance with cash management requirements. Information identifying the transaction is presented below:

Voucher Number	Voucher Date	Check No.	Date Cleared	Amount
09011051	3/11/2009	02263682	05/07/09	\$ 100,102
09011175	3/30/2009	02271454	5/7/2009	205,088
09011178	3/31/2009	02271868	05/08/09	100,506
09011333	4/15/2009	02275275	5/11/2009	258,980

We noted that in two transactions tested, the Federal funds were received by the PRDF prior to the day the PRDF paid out (check clearance date) the funds for Federal assistance program purposes. The detail of this transaction follows:

Voucher Number	Voucher Date	Check No.	Date Cleared	Amount	Credit Notice No.	Credit Notice Date	Days Elapsed
09a10102	11/20/2008	02223993	2/2/2009	\$ 1,522,055	05136443410421	1/30/2009	(3)
09010492	1/20/2009	02240450	2/27/2009	366,511.0	Not provided	2/26/2009	(1)

Community Service Block Grant

In two (2) out of the sixteen (16) disbursement transactions tested, the check was cleared in the CMIA account held at the Governmental Development Bank; however, no relevant information related to the petition of funds was available for examination. Accordingly, we were unable to test compliance with cash management requirements. Information identifying the transaction is presented below:

Voucher Number	Voucher Date	Check No.	Date Cleared	Amount
9011213	1/22/2009	2245108	5/15/2009	\$ 1,027,249
A9011556	3/20/2009	2277006	6/19/2009	542,236



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Effect

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

- a) 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;
- b) 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;
- c) the program funds may be suspended;
- d) the PRDF may lose the ability to request reimbursement of federal funds for programs expenditures paid for with state funds; and
- e) 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:

- a) Maintain adequate documentation to support the petitions of funds and to maintain the audit trail of the clearance pattern; to evidence that such clearance pattern accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied. Accordingly, the PRDF shall improve its internal controls over the filing and safeguarding of documents in order to easily identify and retrieve the petitions of funds and all related supporting documentation.
- b) 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, 2009

Finding Number: 2009-04

Federal Catalog Numbers: 10,558, 10.568, 10.569, 10.569 ARRA, 93.556, 93.568, 96.001

Federal Program Titles: Child and Adult Care Food Program, Emergency Food Assistance Program Cluster, Promoting Safe and Stable Families, Low Income Home Energy Assistance, Social Security- Disability Insurance

Category: Compliance/Internal Control

Compliance Requirement: Cash management

Administrations: The Secretariat, Administration for the Integral Care and Development of the Children, Administration for Families and Children, Administration for the Socioeconomic Development

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 funds transfer to a state to the minimum amounts needed by the state and must time the disbursement to be in accord with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Criteria - continued

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 subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. 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 subgrantees 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, 2009

Condition – continued

Child and Adult Care Food Program

In ten (10) out of twenty-one (21) 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	Days Elapsed
9009661	9/16/2009	2197020	10/1/2008	\$ 7,038	154204979	9/12/2008	19
9009717	9/22/2008	2199320	10/7/2008	2,337.0	154204979	9/12/2008	25
9010807	6/8/2009	2307901	6/29/2009	1,265.0	154203117	4/24/2009	66
9010860	6/8/2009	2307893	6/29/2009	1,395.0	154203117	4/24/2009	66
9012019	6/8/2009	2308603	6/30/2009	1,645.0	154203117	4/24/2009	67
9012053	6/23/2009	2308210	6/29/2009	144,941.0	154203176	6/23/2009	6
9011135	3/20/2009	2268176	3/27/2009	134,961.0	154203081	3/9/2009	18
9012055	6/23/2009	2308214	6/29/2009	129,096.0	154203176	6/23/2009	6
9011140	3/20/2009	2271053	4/3/2009	33,626.0	154203079	3/9/2009	25
9011141	3/20/2009	2271252	4/3/2009	33,259.0	154203080	3/9/2009	25

Emergency Food Assistance Program

In seven (7) out of ten (10) 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	Days Elapsed
9001676	12/10/2008	2244121	2/2/2009	\$ 153.3	000040	1/26/2009	7
9001809	4/21/2009	2292099	5/27/2009	18,576	000024	5/13/2009	14
09AP5164	7/23/2008	2184695	9/4/2008	35,700	000043	8/21/2008	14
9675883	1/13/2009	2251222	2/17/2009	84,490	000086	1/28/2009	20
9675908	1/21/2009	2253133	2/20/2009	5,634	000068	2/3/2009	17
9676093	2/19/2009	2269518	4/1/2009	27,158	000087	3/11/2009	21
9676227	3/13/2009	2281471	5/5/2009	87,850	000093	4/3/2009	32



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition -- continued

Promoting Safe and Stable Families

In three (3) out of twenty (20) 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:

Voucher Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date	Days Elapsed
9009472	7/29/2008	2300217	6/12/2009	\$ 83,750	000063	8/6/2008	310
9009594	8/4/2008	2175747	8/14/2008	48,165	000072	8/8/2008	6
9011426	2/18/2009	2267015	3/25/2009	28,618	000242	3/2/2009	23

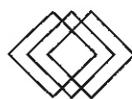
In addition, there were eight (8) transactions for which the check was cleared in the CMIA account held at the Governmental Development Bank; however, no request of funds was issued to the Federal Government. The detail of transactions follows:

Voucher Number	Voucher Date	Check No.	Check Date	Amount
09011441	2/19/2009	02174228	10/20/08	\$ 83,750
09012144	6/15/2009	02304519	06/22/09	58,446
09012288	6/15/2009	02303115	06/18/09	69,524
09012324	6/15/2009	02309159	07/01/09	70,288
09011976	5/21/2009	02262872	03/17/09	83,750
09012230	6/24/2009	02311302	07/03/09	73,000
09012225	6/12/2009	02309534	07/01/09	53,200
09009740	8/15/2008	02180716	08/26/08	25,000

Low Income Home Energy Assistance

In order to determine compliance with the cash management requirement we selected eleven (11) Federal drawn-down transactions for examination.

We noted that the accounting records did not provided information necessary to determine compliance with the federal cash management act.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition - continued

Social Security- Disability Insurance

In sixteen (16) out of twenty (20) 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:

Voucher Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date	Days Elapsed
2527	9/2/2008	02191223	9/19/2008	\$ 7,110	000565	9/2/2008	17
2523	8/22/2008	02196907	10/1/2008	6,750.0	000444	8/27/2008	35
2514	8/5/2008	02177473	8/19/2008	5,640.0	000492	8/5/2008	14
2498	6/18/2008	02163514	7/14/2008	4,503.0	000397	6/18/2008	26
2503	6/30/2008	02168006	7/29/2008	4,320.0	000656	6/30/2008	29
2541	10/8/2008	02204470	10/17/2008	3,450.0	000450	10/8/2008	9
2532	10/1/2008	02196931	10/1/2008	1,335.0	000422	9/17/2008	14
2534	9/19/2008	02206294	10/23/2008	1,260.0	000507	9/19/2008	34
2538	9/30/2008	02208431	10/28/2008	1,170.0	000682	9/30/2008	28
2540	10/7/2008	02236865	1/14/2009	950.0	000412	10/8/2008	98
2570	12/18/2008	02236869	1/14/2009	939.0	000519	12/18/2008	27
2549	10/28/2008	02222586	12/1/2008	912.0	000467	10/28/2008	34
2563	12/4/2008	02231763	12/22/2008	900.0	000400	12/4/2008	18
2564	12/5/2008	02233024	12/29/2008	855.0	000451	12/2/2008	27
2522	8/22/2008	02190621	9/18/2008	795.0	000460	8/22/2008	27
2573	1/7/2009	02248826	2/11/2009	745.0	000226	1/7/2009	35

In addition, there was one (1) transaction for which the check was cleared in the CMIA account held at the Governmental Development Bank; however, no request of funds was issued to the Federal Government. The detail of transactions follows:

Voucher Number	Voucher Date	Check No.	Check Date	Amount
2371	8/13/2007	2196867	10/1/2008	\$ 30,634

Effect

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

1. 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;
2. 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;
3. the program funds may be suspended;



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Effect- continued

4. the PRDF may lose the ability to request reimbursement of federal funds for programs expenditures paid for with state funds; and
5. 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:

- 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.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number: 2009-05
Federal Catalog Number: 93.563
Federal Program Title: Child Support Enforcement
Category: Compliance/Internal Control
Compliance requirements: Matching, Level of Effort and Earmarking
Administration: Administration for the Child Support Enforcement

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 28% (\$13,246,585) of the State share of costs instead of the 34% (\$15,917,146) required by the regulations. Accordingly, there is a deficiency of \$2,670,561 in the State share of costs.

Questioned costs

\$2,655,117

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, 2009

Reference Number: 2009-06
Federal Catalog Number: 93.569
Federal Program Title: Community Service Block Grant
Category: Compliance/Internal Control
Compliance Requirement: Matching, Level of Effort, Earmarking
Administration: Administration for Families and Children

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.

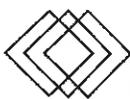
45 CFR 92.20 (a) establishes that a State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient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

Condition

During the performance of the earmarking test of the Community Services Block Grant program for the year ended June 30, 2009, we noted the following:

- a. Administrative expenses, discretionary expenditures, payroll and payroll fringe benefits were commingle. The fiscal controls and accounting procedures of the PRDF are not sufficient to permit the tracking of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restriction and prohibition of the program.

As further explained in Finding 2009-14, PRDF should reconcile the accounting records from which the financial statements are prepared with the internal accounting used to prepare the Federal financial reports in order to ensure compliance with the matching requirements.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition - continued

- b. During fiscal year 2009 we noted that reclassifications entries that affect the grants for the fiscal year 2000, 2001, 2002, and 2003. However, for grants periods prior to 2003, the chart of accounts of this program is not sufficiently expanded to account for the amounts used for administrative and discretionary expenditures. Accordingly, the fiscal controls and accounting procedures of the PRDF did not allow us determine: i) the amount of administrative and discretionary expenditures and; ii) whether program funds were used in accordance with the earmarking requirements.

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

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, 2009

Finding Number: 2009-07

Federal Catalog Numbers: 10.568, 10.569, 10.569 ARRA, 14,850, 93.558, 93.560, 93.667

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

Category: Compliance/Internal Control

Compliance Requirements: Activities allowed or unallowed
Allowable costs / cost principles
Matching, level of effort, earmarking
Procurement and suspension and debarment

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

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 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.

Condition

As part of our audit procedures, we obtained an understanding of internal control sufficient to plan the audit to support a low assessed level of control risk for each program. However, during such procedures, we noted that the administrative expenses of the Family Support Payments to States Assistance Payments, Emergency Food Assistance, and Temporary Assistance for Needy Families are commingled. Accordingly, we were unable to identify the administrative expenditures for each program to test compliance for allowable activity and matching requirements for these programs.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition-continued

A similar condition was noted for the Public and Indian Housing program, for which we noted that the expenditures and revenues related to the program are commingled with the state funds, Social Service Block Grant program and the Foster Care Program (not a selected major program).

Therefore, we were unable to ascertain whether total program expenditures identified by PRDF and included in the financial statements were accurate and complete. However, since total expenditures for these programs are not material as compared to the financial statements taken as whole, the auditors' opinion was not affected.

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 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, 2009

Finding Number: 2009-08
Federal Catalog Number: 93.575
Federal Program Title: Child Care and Development Block Grant
Category: Compliance/Internal Control
Compliance Requirement: Matching, level of effort, earmarking
Administration: Administration for the Integral Care and Development of the Children

Criteria

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 - (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 the performance of the earmarking test of the Child Care Development Block Grant program for the year ended June 30, 2009, we noted that the chart of accounts for this program is not sufficiently expanded to account for the expenditures claimed for administrative and quality activities. Based on the above, we concluded that the fiscal controls and accounting procedures of the PRDF are not sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.

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



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 administrative and quality activities. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.

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, 2009

Reference Number: 2009-09

Federal Catalog Number: 10.566, 10.566 ARRA

Federal Program Title: Nutrition Assistance Program for Puerto Rico Cluster

Category: Compliance/Internal Control

Compliance Requirement: Matching, Level of Effort and Earmarking

Administration Administration for the Socioeconomic Development

Criteria

7 C.F.R. § 285.2 (a) FNS shall, consistent with the plan of operation required by §285.3 of this part, and subject to availability of funds, provide nutrition assistance grant funds to the Commonwealth of Puerto Rico to cover 100 percent of the expenditures related to food assistance provided to needy persons and 50 percent of the administrative expenses related to the food assistance. The amount of the grant funds provided to the Commonwealth of Puerto Rico shall not exceed amounts appropriated for this purpose for each fiscal year.

Condition

During the performance of our tests related to matching requirements under the Nutrition Assistance Program for Puerto Rico for the year ended June 30, 2009, we noted that the Department of the Family did not provide funds for its 50% share of program costs related to administrative costs.

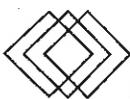
Total federal expenditures of the Department of the Family related to such costs for the program during the year ended June 30, 2009, amounted to \$59,373,842. However, state expenditures related to such costs amounted to \$58,604,278. Accordingly, there was a deficiency of \$769,563 in the state share.

Effect

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

Questioned costs

\$769,563



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number: 2009-10
Federal Catalog Numbers: 93.568
Federal Program Title: Low Income Home Energy Assistance
Category: Compliance/Internal Control
Compliance Requirement: Period of availability
Administration: Administration for the Socioeconomic Development

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 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.

Condition

During our audit procedures over period of availability, we noted that in one (1) out of eleven (11) samples tested, the funds were not timely obligated. The item corresponds to an invoice for the amount of \$45,775 that was paid with funds of the grant No. LIHEAP2006. The funds were not obligated before September 30, 2007 as it is stated in the program requirements and law.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Effect

Non compliance with the applicable program requirements to obligate funds within the authorized period of availability, exposes the PRDF to penalties and sanctions from the grant, including returning to the grantor the amount of funds involved or denied reimbursements.

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.

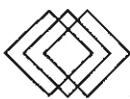
Questioned costs

\$45,775

Recommendation

To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDF shall establish formal policies and procedures to ascertain that:

- a) The budgetary process considers the period of availability for the obligation and disbursement of federal funds and provides for the identification and communication of cut-off requirements;
- b) the accounting system prevents obligations or expenditures of federal funds to be processed outside the period of availability through the timely review of disbursements by persons knowledgeable the applicable requirements;
- c) 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;
- d) the periodic reporting of budgeted versus actual expenditures and unliquidated balances to appropriate levels of management for proper review before and after cut-off dates; and
- e) the recording of all obligations incurred in relation to federal awards through the module of Payment Vouchers with Obligations.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number: 2009-11
Federal Catalog Number: 93.569
Federal Program Title: Community Service Block Grant
Category: Compliance/Internal Control
Compliance Requirement: Subrecipient Monitoring
Administration: Administration for the Families and Children

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
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009, funds totaling \$20,229,445 were disbursed to 26 subrecipients under the Community Services Development Block Grant program. As part of our audit procedures to test compliance with subrecipient monitoring requirements, we selected for testing four (4) subrecipients which were awarded funds in the amount of \$18,316,758 (91%) to determine if their activities were monitored by the PRDF to ensure compliance with federal requirements.

After review of the PRDF's monitoring files, we noted the following findings presented below for two (2) of the four (4) subrecipient which were awarded funds in the amount of \$14,586,769 (72%).

- There was no evidence on whether the PRDF determined if subrecipient used Federal funds only for authorized purposes.
- There was no evidence in the subrecipients' files on whether the PRDF requested or obtained copy the Single Audit reports of the subrecipients.
- There was no evidence on whether the PRDF performed an on-site review once every three (3) years.
- There was no evidence on whether the PRDF issue a management decision on audit findings within 6 months after receipt of subrecipient's audit report.

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

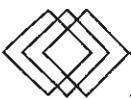


COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Recommendation

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.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number: 2009-12
Federal Catalog Number: 96.001
Federal Program Title: Social Security- Disability Insurance
Category: Compliance/Internal Control
Compliance Requirement: Reporting
Administration: The Secretariat

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
 Our audit procedures on financial reporting requirements showed that the expenditures reported in the State Agency Report of Obligations on the SSA Disability Program (OMB No. 0960-0421) for Social Security Disability Insurance Program did not agree with the accounting records and no reconciliation was submitted for our evaluation. The difference noted was as follows:

Grant No.	Expenditures			Unliquidated obligations		
	Reports	Accounting records	Difference	Reports	Accounting records	Difference
0704RQD100	\$ 13,581,430	\$ 13,573,623	\$ 7,807	\$ 360,656	\$ 301,097	\$ 59,559
0804RQD100	\$ 13,235,379	\$ 13,327,640	\$ (92,261)	\$ 1,718,499	\$ 565,558	\$ 1,152,941
0904RQD100	\$ 5,563,019	\$ 5,679,308	\$ (116,289)	\$ 5,200,513	\$ 6,615,076	\$ (1,414,563)

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.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009

Condition

Our audit procedures showed that the expenditures reported in the Child Support Enforcement Program Financial Reports (OCSE – 396A) did not agree with the accounting records and no reconciliation was submitted for our evaluation. The difference noted was as follows:

	<u>June 30, 2009</u>
Expenditures per reports (OCSE-396A)	\$ 47,466,603
Expenditures per accounting records (PRIFAS)	<u>44,044,574</u>
Difference	<u>\$ 3,422,029</u>

The Child Support Enforcement Program Quarterly Report of Collections (OCSE – 34A) was prepared with a database maintained by a service organization contracted by the PRDF to administer the paternity tests. As a result, 34A submitted to the HHS. We were also unable to trace the data to source records to determine its accuracy, reliability, and completeness. We were unable to obtain the database maintained by the Service Organization. As a result, we were unable to ascertain the accuracy of the information contained in the database, and whether such information is correctly reflected in the OCSE-34A Report submitted to the HHS. In addition, we were unable to obtain the Report on the Internal Controls of the Service Organization required in the contract with PRDF and the Service Organization.

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



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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.
- Reconcile on a monthly basis the records used to prepare the Federal financial reports with those of the Puerto Rico Treasury Department (PRIFAS).

Additionally, we recommend the PRDF to obtain the reports of internal controls of a service organization in accordance with Statement on Auditing Standards No. 70 from the EBT service provider, as required under the professional service contract signed. A SAS 70 report provides the user organization information regarding the service organization's control objectives and control activities. The report also provides an opinion of an independent service auditor on the operating effectiveness of such control activities. In order to monitor the accuracy and completeness of the transactions processed by the service organization, PRDF should examine the SAS 70 report and identify the control objectives and control activities relevant to PRDF, and verify whether they were operating effectively.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number: 2009-14

Federal Catalog Numbers: 93.569, 93.600, 93.556, 93.568, 93.575

Federal Program Titles: Community Service Block Grant, Head Start, Promoting Safe and Stable Families, Low Income Home Energy Assistance, Child Care and Development Block Grant

Category: Compliance/Internal Control

Compliance Requirement: Reporting

Administrations: Administration for Family and Children,
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.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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). After such review, we that the cash receipts and the expenditures reported did not agree to the accounting records as follow:

	<u>Cash receipts</u>	<u>Expenditures</u>
Amount per reports (SF-272)	\$ 146,464,526	\$ 147,076,602
Amount per accounting records	<u>158,386,772</u>	<u>146,655,653</u>
Difference	<u>\$ (11,922,246)</u>	<u>\$ 420,949</u>

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 report selected were the preliminary report for the grant G-08B1PRCOSR (covered reporting period from October 1, 2007 through September 30, 2008) and the final report for the grant G-07B1PRCOSR (covered reporting period from October 1, 2007 through September 30, 2008).

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

<u>Grant No.</u>	<u>Expenditures</u>		
	<u>Accounting records</u>	<u>Report (SF-269)</u>	<u>Difference</u>
G-080B1PRCOSR	\$ <u>20,820,081</u>	\$ <u>20,733,980</u>	\$ <u>86,101</u>
G-070B1PRCOSR	\$ <u>6,205,239</u>	\$ <u>8,080,298</u>	\$ <u>(1,875,059)</u>



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition - continued

Promoting Safe and Stable Families

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 report selected were the preliminary report for the grant G-0801PRFPSS (covered reporting period from October 1, 2007 through September 30, 2008) and the final report for the grant G-0701PRFPSS (covered reporting period from October 1, 2007 through September 30, 2008).

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

<u>Grant No.</u>	<u>Expenditures</u>		
	<u>Accounting records</u>	<u>Reports (SF-269)</u>	<u>Difference</u>
G-0701PRFPSS	\$ 6,350,010	\$ 6,710,399	\$ (360,389)
G-0801PRFPSS	\$ 2,462,864	\$ 2,110,922	\$ 351,942

Head Start

After review of the Financial Status Report (SF-269) of the Head Start program for the Award 02CH9944 for the program year ended February 28, 2009, we noted that the amounts reported as total federal share did not agree with the accounting records as follows:

	<u>Expenditures</u>	<u>Unliquidated Obligations</u>
Amount per report (SF-269)	\$ 115,972,330	\$ 1,900,503
Amount per accounting records (PRIFAS)	115,399,097	1,074,948
Difference	\$ 573,233	\$ 825,555



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition - continued

Low Income Home Energy Assistance

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 report selected were the preliminary report for the grant G-08B1PRLIEA (covered reporting period from October 1, 2007 through September 30, 2008) and the final report for the grant G-08B1PRLIEA (covered reporting period from October 1, 2007 through September 30, 2008). We noted that these reports were not submitted to the federal agency.

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, 2009**

Finding Number: 2009-15

Federal Catalog Numbers: 10.568, 10.569, 10.569 ARRA

Federal Program Titles: Emergency Food Assistance Cluster: Emergency Food Assistance Program (Administrative Costs), Emergency Food Assistance Program (Commodities),

Category: Compliance/Internal Control

Compliance Requirement: Reporting

Administration: Administration for the Socioeconomic Development

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

As part of our audit procedures on financial reporting requirements, we compared the Report of the Emergency Food Assistance Program (TEFAP) Administrative Costs (OMB No. 0584-0293) with the accounting records for the fiscal year ended June 30, 2009 for the grant awards No. TEFAP2009. After performing these procedures, we noted that the expenditures reported in such report did not agree with the accounting records and no reconciliation was submitted for our evaluation. The differences noted were as follow:

<u>Grant No.</u>	<u>Report</u>	<u>Accounting records</u>	<u>Difference</u>
TEFAP2009	\$ 1,863,800	\$ 1,606,236	\$ 257,564



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 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.

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, 2009

Finding Number: 2009-16

Federal Catalog Numbers: 93.558, 93.560

Federal Program Titles: Temporary Assistance for Needy Families, Family Support Payment to States

Category: Compliance/Internal Control

Compliance Requirement: Reporting

Administration: Administration for the Socioeconomic Development

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.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

To determine whether required reports for Federal awards are complete, accurate, and are fairly presented in accordance with the Temporary Assistance for Needy Families and Family Support Payments to States - Assistance Payments programs requirements, we examined a sample of quarterly program reports. Exemptions noted are discussed below:



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Condition - continued

SF-272, Federal Cash Transactions Reports

We selected for examination, the quarterly Federal Cash Transaction Reports (all four quarters) for the fiscal year ended June 30, 2009, and noted the following exceptions:

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

<u>Description</u>	<u>Accounting Records</u>	<u>Report (PSC-272)</u>	<u>Difference</u>
Total Receipts	\$ 118,280,098	\$ 118,830,098	\$ (550,000)
Net Disbursements	\$ 97,705,849	\$ 111,569,217	\$ (13,863,368)

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:

	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>
Federal Share Expenditures (Per ACF-196 TR)	\$ 54,515,422	\$ 18,320,438
Accounting records (PRIFAS)	55,162,172	21,476,396
Difference	\$ (646,750)	\$ (3,155,958)

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

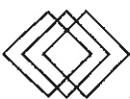


COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Finding Number: 2009-17

Federal Catalog Numbers: 10.568, 10.569, 10.569 ARRA

Federal Program Titles: Emergency Food Assistance Cluster: Emergency Food Assistance Program (Administrative Costs), Emergency Food Assistance Program (Commodities)

Category: Compliance/Internal Control

Compliance Requirements: Reporting, Special Test

Administration: Administration for the Socioeconomic Development

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.

Condition

The PRDF acquired a new computer's software to maintain accurate and complete records of the commodities received and distributed; however, it has not been installed or used. The records do not provide accurate and complete detail with respect to the receipt, distribution, and inventory of donated foods. During our audit we noted that a physical inventory was not signed nor authorized by the administrator of the warehouse.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Recommendation

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)).



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reference Number: 2009-18

Federal Catalog Numbers: 10.556, 10.566 ARRA

Federal Program Titles: Nutrition Assistance Program for Puerto Rico Cluster

Category: Compliance/Internal Control

Compliance Requirement: Reporting

Administration: Administration for the Socioeconomic Development

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

After review of a quarterly Financial Status Reports issued for the Nutrition Assistance Program for Puerto Rico during the fiscal year ended June 30, 2009, we noted that the amounts reported in the Financial Status Reports did not agree with the accounting records as follows:

	<u>Program Year 2009</u>
Expenditures per accounting records:	\$ 1,261,812,457
Federal share per SF-269	1,263,516,578
Difference	<u>\$ (1,704,121)</u>



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 interpreted as a failure to achieve program objectives.

Questioned costs

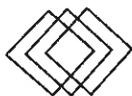
Could not be determined

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, 2009

Reference Number: 2009-19
Federal Catalog Number: 93.563
Federal Program Title: Child Support Enforcement
Category: Compliance/Internal Control
Compliance Requirement: Eligibility and Special Test
Administration: Administration for the Child Support Enforcement

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.



COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, 2009

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 the individuals participating in the program were eligible to receive such services. The following instances of non-compliance were noted:

- Ten (10) of the sixty (60) cases selected for testing (17%) 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 eight (8) of the fifty (50) cases tested (16%), the service registration form (Form ASM 160) was not available for examination.
- In three (3) of the fifty (50) cases tested (6%), 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, 2009

Condition - continued

- In two (2) of the fifty (50) cases tested (4%), 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 seventeen (17) of the fifty (50) cases tested (34%), 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

- 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

- 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 interstate requirements.

Enforcement of support obligation

- Six (6) of the twenty (20) cases selected for testing (30%) 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. Therefore, we were unable to ascertain whether the PRDF: a) monitored the case to ascertain whether an obligation to support has been ordered; b) verified whether the enforcement action was initiated on a timely basis; c) verified whether other actions were taken; and d) documented unsuccessful attempts for enforcement of obligations.
- Two (2) of the fourteen (14) cases tested (14%) 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, 2009

Condition - continued

Securing and enforcing medical support

- Eight (8) of the forty (40) cases selected for testing (20%) 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 thirty-six (36) cases tested (22%) 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 fifteen (15) of those thirty-six (36) cases (42%) 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

Summary of Schedule of Prior Year Audit Findings 2008

Reference Number:	08-02
Federal Programs:	All programs
Administrations:	Administration for the Child Support Enforcement, Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for the Families and Children, The Secretariat
Audit Finding:	Special Test and Provision
Amount of question cost:	Could not be determined
Status of Corrective Action:	Corrective action plan implemented with positive results
Reference Number:	08-03
Federal Programs:	All programs
Administrations:	Administration for the Child Support Enforcement, Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for the Families and Children, The Secretariat
Audit Finding:	Special Test and Provision
Amount of question cost:	Could not be determined
Contact persons responsible:	David Gómez, Acting Finance Director Hector Diaz, Executive Director Anny More, Special Assistance II Edwin Montero, Auxiliary Administrator Magaly Ortiz, Administrator Assistance Secretary
Status of Corrective Action:	Remains uncorrected. Refer to finding 09-01 and related corrective action plan.
Reference Number:	08-04
Federal Programs:	All programs
Administrations:	Administration for the Child Support Enforcement, Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for the Families and Children, The Secretariat
Audit Finding:	Special Test and Provision



Amount of question cost:	Could not be determined
Status of Corrective Action:	Corrective action plan implemented with positive results
<hr/>	
Reference Number:	08-05
Federal Programs:	10.566; 14.850; 93.556; 93.558; 93.563; 93.569; 93.575; 93.600; 93.645; 93.667
Name of the federal programs:	Nutrition Assistance Program for Puerto Rico, Public and Indian Housing, Promoting Safe and Stable Families, Temporary Assistance for Needy Families, Child Support Enforcement, Community Service Block Grant, Child Care Development Block Grant, Head Start, Child Welfare Services- State Grants
Administrations:	Administration for the Child Support Enforcement, Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration of the Families and Children
Audit Finding:	Allowable Activities, Allowable Cost/Cost Principle, Period of Availability, Procurement Suspension and Debarment
Amount of questioned cost:	\$9,696,188
Status of Corrective Action:	Corrective action plan implemented with positive results
<hr/>	
Reference Number:	08-06
Federal Programs:	14.850, 93.558, 93.560
Name of the federal programs:	Public and Indian Housing, Temporary Assistance for Needy Families, Family Support Payment to States Assistance Payment
Administrations:	Administration for the Socioeconomic Development, Administration for the Families and Children
Audit Finding:	Allowable Activities, Allowable Cost/Cost Principle, Matching Level of Effort and Earmarking, Procurement Suspension and Debarment
Amount of questioned cost:	Could not be determined
Contact persons responsible:	David Gómez, Acting Finance Director CPA Carlos Gómez, Finance Director
Status of Corrective Action:	Partially corrected
<hr/>	
Reference Number:	08-07
Federal Programs:	10.566; 17.235; 93.556; 93.558; 93.560; 93.563; 93.575; 93.600; 93.645; 93.667; 96.001
Name of the federal programs:	Nutrition Assistance Program for Puerto Rico, Senior Community Service Employment Program, Promoting Safe and Stable Families, Temporary Assistance for Needy Families, Family Support Payment to States – Assistance Payments, Child Support Enforcement, Child Care and Development Block



Grant, Head Start, Child Welfare Service – State Grants, Social Service Block Grant, Social Security- Disability Insurance

Administrations: Administration for the Child Support Enforcement, Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for the Families and Children, The Secretariat

Audit Finding: Allowable Activities, Allowable Cost/Cost Principle

Amount of question cost: \$79,251

Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-08

Federal Programs: 93.575; 93.600

Name of the programs: Child Care and Development Block Grant , Head Start

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

Audit Finding: Cash Management

Amount of questioned cost: Could not be determined

Contact person responsible: Edwin Montero, Auxiliary Administrator

Status of Corrective Action: Partially corrected

Reference Number: 08-09

Federal Programs: 10.558; 17.235; 93.556; 93.645; 96.001

Name of the programs: Child and Adult Care Food Program, Senior Community Service Employment Program, Promoting Safe and Stable Families, Child Welfare Services – State Grant, Social Security- Disability Insurance

Administrations: Administration for the Integral Care and Development of the Children, Administration of the Families and Children, The Secretariat

Audit Finding: Cash Management

Amount of questioned cost: Could not be determined

Contact persons responsible: Edwin Montero, Auxiliary Administrator
Magaly Ortiz, Administrator Assistance Secretary

Status of Corrective Action: Partially corrected



Reference Number: 08-10
Federal Program: 14.850
Name of the program: Public and Indian Housing
Administration: Administration for the Families and Children
Audit Finding: Eligibility
Amount of questioned cost: Could not be determined
Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-11
Federal Program: 17.235
Name of the program: Senior Community Service Employment Program
Administration: Administration for the Families and Children
Audit Finding: Eligibility
Amount of questioned cost: Could not be determined
Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-12
Federal Program: 93.563
Name of the program: Child Support Enforcement
Administration: The Child Support Enforcement Administration
Audit Finding: Eligibility, Special Test and Provision
Amount of questioned cost: Anny More, Special Assistance II
Contact person responsible: Could not be determined
Status of Corrective Action: Partially corrected

Reference Number: 08-13
Federal Program: 93.575
Name of the Program: Child Care and Development Block Grant
Administration: Administration for the Integral Care and Development of the Children
Audit Finding: Eligibility



Amount of questioned cost: \$2,352
Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-14

Federal Programs: All programs

Administrations: Administration for the Child Support Enforcement , Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for the Families and Children, The Secretariat

Contact persons responsible: David Gomez, Acting Finance Director
Hector Diaz, Executive Director
Anny More, Special Assistance II
Edwin Montero, Auxiliary Administrator
Magaly Ortiz, Administrator Assistance Secretary

Audit Finding: Equipment and Real Property Acquisition

Amount of questioned cost: Could not be determined

Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-15

Federal Programs: 93.556

Name of the program: Promoting Safe and Stable Families

Administrations: Administration for the Families and Children

Audit Finding: Matching, Level of Effort, Earmarking

Amount of questioned cost: \$76,170

Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-16

Federal Program: 93.558

Name of the program: Temporary Assistance for Needy Families

Administration: Administration for the Socioeconomic Development

Audit Finding: Activities Allowed, Level of Effort

Amount of questioned cost: \$225,198

Status of Corrective Action: Corrective action plan implemented with positive results



Reference Number: 08-17
Federal Program: 93.563
Name of the program: Child Support Enforcement
Administration: Administration for the Child Support Enforcement
Audit Finding: Matching, Level of Effort and Earmarking.
Amount of questioned cost: \$2,508,156
Contact person responsible: Anny More, Special Assistance II
Status of Corrective Action: Remains uncorrected

Reference Number: 08-18
Federal Programs: 93.569
Name of the program: Community Service Block Grant
Administrations: Administration for the Families and Children
Audit Finding: Matching, Level of Effort and Earmarking
Amount of questioned cost: \$1,641,784
Contact person responsible: David Gomez, Acting Finance Director
Status of Corrective Action: Partially corrected

Reference Number: 08-19
Federal Program: 93.575
Name of the 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
Amount of questioned cost: Could not be determined
Contact person responsible: Edwin Montero, Auxiliary Administrator
Status of Corrective Action: Partially corrected



Reference Number: 08-20
Federal Program: 93.645
Name of the program: Child Welfare Service- State Grant
Administration: Administration for the Families and Children
Audit Finding: Matching, Level of Effort and Earmarking
Amount of questioned cost: Could not be determined
Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-21
Federal Programs: 17.235; 93.556; 93.558; 93.569; 93.575;
93.645; 93.667; 96.001
Name of the programs: Senior Community Service Employment Program, Promoting Safe and Stable families, Temporary Assistance for Needy Families, Community Service Block Grant, Child Care and Development Block Grant, Child Welfare Service- State Grant, Social Service Block Grant, Social Security- Disability Insurance
Administrations: Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for the Families and Children, The Secretariat
Audit Finding: Period of availability
Amount of questioned cost: \$10,665,157
Contact persons responsible: David Gomez, Acting Finance Director
CPA Carlos Gomez, Finance Director
Edwin Montero, Auxiliary Administrator
Magaly Ortiz, Administrator Assistance Secretary
Status of Corrective Action: Corrective action plan implemented with positive results

Reference Number: 08-22
Federal Program: 10.566
Name of the program: Nutrition Assistance Program for Puerto Rico
Administration: Administration for the Socioeconomic Development
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: CPA Carlos Gómez, Finance Director
Status of Corrective Action: Partially corrected



Reference Number: 08-23
Federal Program: 93.556
Name of the program: Promoting Safe and Stable Families
Administration: Administration for the Families and Children
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: David Gómez, Acting Finance Director
Status of Corrective Action: Partially corrected

Reference Number: 08-24
Federal Programs: 93.558, 93.560
Name of the programs: Temporary Assistance for Needy Families, Family Support Payments to States-
Assistance Payment
Administration: Administration for the Socioeconomic Development
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: CPA Carlos Gómez, Finance Director
Status of Corrective Action: Partially corrected

Reference Number: 08-25
Federal Program: 93.563
Name of the program: Child Support Enforcement
Administration: Administration for the Child Support Enforcement
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: Anny More, Special Assistance II
Status of Corrective Action: Partially corrected



Reference Number: 08-26
Federal Program: 93.569
Name of the program: Community Service Block Grant
Administration: Administration for the Families and Children
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: David Gómez, Acting Finance Director
Status of Corrective Action: Partially corrected

Reference Number: 08-27
Federal Program: 93.575
Name of the program: Child Care and Development Block Grant
Administration: Administration for the Integral Care and Development of the Children
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: Edwin Montero, Auxiliary Administrator
Status of Corrective Action: Partially corrected

Reference Number: 08-28
Federal Program: 93.600
Name of the program: Head Start
Administration: Administration for the Integral Care and Development of the Children
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: Edwin Montero, Auxiliary Administrator
Status of Corrective Action: Partially corrected

Reference Number: 08-29
Federal Program: 93.645



Name of the program: Child Welfare Services- State Grant
Administration: Administration for the Families and Children
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: David Gómez, Acting Finance Director
Status of Corrective Action: Partially corrected

Reference Number: 08-30

Federal Program: 93.667
Name of the program: Social Service Block Grant
Administration: Administration for the Families and Children
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: David Gómez, Acting Finance Director
Status of Corrective Action: Partially corrected

Reference Number: 08-31

Federal Program: 96.001
Name of the program: Social Security- Disability Insurance
Administration: The Secretariat
Audit Finding: Reporting
Amount of questioned cost: Could not be determined
Contact person responsible: Magaly Ortiz, Administrator Assistance Secretary
Status of Corrective Action: Partially corrected

Reference Number: 08-32

Federal Program: 93.556
Name of the program: Promoting Safe and Stable Families
Administration: Administration for the Families and Children
Audit Finding: Subrecipient Monitoring



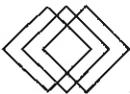
Amount of questioned cost: Could not be determined
Status of Corrective Action: Corrective action plan implemented with positive results.

Reference Number: 08-33
Federal Program: 93.569
Name of the program: Community Service Block Grant
Administration: Administration for the Families and Children
Audit Finding: Subrecipient Monitoring
Amount of questioned cost: Could not be determined
Contact person responsible: Angel Figueroa, Administrator
Status of Corrective Action: Partially corrected



CORRECTIVE ACTION PLAN





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

Ref. Commonwealth of PR, Department of the Family - Single Audit Report - Fiscal Year ended 6/30/2009

Audit Period:

07-01-2008 to 06-30-2009

Audit Findings related to:

Secretary

Secretary / Administrator Name:

Yanitsia Irizarry Méndez, Esq.

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
09-01 Compliance/Internal Control Allowable Activities; Allowable Cost/ Cost Principle, Cash Management, Matching, Level of Effort and Ear-marking, Period of Availability, Program Income, Reporting, Special Test and Provision. All programs	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 and 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. 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 Manual accounting system is design according with the law and regulations (Ley 230, Ley Contabilidad del Gobierno de PR). The accounting transactions are registered monthly in the subsidiaries and after we make the conciliations 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 specifics activities and/or objectives. b) Objection: Our Finance Division makes appropriate and complete procedures related to month-end and year-end closing dates. ASUME use GL-200 and GL-15 from Puerto Rico Department of Treasury (PRDT) that normally takes part of next month to complete the report.	March 2010	March 2010	María Molina Acting Finance Director		X

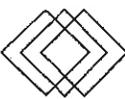


Finding Number, Topic Sentences and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
Cont	<p>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 Budget Division works with four Grants which compose the PRIFAS budget, equal to PRIFAS budget and finance books.</p> <p>ACUDEN installed a mechanized application of budget control and financial transaction's 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> <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 that all expense items are duly recorded in PRIFAS.</p> <p>We understand that given the limits provided by 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 2009	September 2010	Finance Division		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>ADFAN Response: All grants received before fiscal year 2005 were registered at the Department of the Treasury in global accounts (081) thus not allowing determining the amount of 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>ADFAN prepare 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 add subsidiary ledgers to the PRIFAS System. The budget distribution on these is in accordance with the required percent: 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
09-02 Compliance/Internal Control Allowable Activities; Allowable Cost/Cost Principle; Cash Management, Matching, Level of Effort and Earmarking, Period of Availability, Program Income, Reporting, Special Test and Provision. All Programs	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 program covered by the certification. Questioned Costs: Could not be determined	ASUME Response: Our Office of Human Resource had made a consult to Federal Government to establish and apply the scope of the OMB Circular A-87. ADSEF Response: At the mid of May 2010 we will begin with a working plan to comply with the requirement. We will certify those employees which earns 100% federal funds. For this purpose we have created a form for to raise the employee's information. Mrs. Ana Linares Fuentes will be the person responsible for this assignment. ACUDEN Response: At the mid of May 2010 we will begin with a working plan to comply with the requirement. We will certify those employees which earns 100% federal funds. For this purpose we have created a form for to raise the employee's information. Secretariat and ADFAN Response: Response: At the mid of June 2010 we will begin with a working plan to comply with the requirement. We will certify those employees which earns 100% federal funds. For this purpose we have created a form for to raise the employee's information.	March 10 March 10 March	April, 2010 Mayo, 2010 June, 2010	Cecilia Rivera de Leon Human Resource Division Nereida Laceran Manso Human Resource Maria Luisa Torres Human Resource	X X		



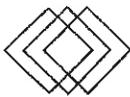
Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assigna Date	Due Date for completion per finding	Employee / Department Responsible for Implementation:	Status corrective actions (CAP)	
						Pending	Partial Complete
09-03 Compliance/Internal Control Cash Management Nutrition Assistance Program for Puerto Rico Cluster, Temporary Assistance for Needy Families, Child Care and Development Block Grant, Community Service Block Grant, Head Start	We recommend the PRDF to establish adequate procedures and controls, which shall consider, among others, the following: a) Maintain adequate documentation to support the petitions of funds and to maintain the audit trail of the clearance pattern; to evidence that such clearance pattern accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied. Accordingly, the PRDF shall improve its internal controls over the filing and safeguarding of documents in order to easily identify and retrieve the petitions of funds and all related supporting documentation. b) 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.	ACUDEN Response: Although ACUDEN has written procedures for cash management, we will strengthen and be more precise in those procedures. ACUDEN restructured the Finance Division to improve its internal controls. A Document Control System was developed, which includes a Central File Division to maintain the supporting documents of all fiscal transactions. This internal control is very positive because failure or missing documentation has been minimized. This system enables to keep well organized all the supporting documents needed for any auditor. We gave training to our personnel and we will continue updating them in several fiscal issues, including ones related to cash management. ADSEF Response: We will review the existing written procedures regarding the proper authorization and processing of federal draw downs with existing and new personnel assigned to the funds petition process. ADFAN Response: ADFAN rescind the contract with Ortiz, Lord & Hoppe. Therefore we develop a Manual of Procedures and Functions that facilitate the reporting and compliance with the implementation for an accounting and financial management system.	March 2010 December 2009	June 2010	Finance Division		X
			March 2010	September, 2010	Carlos Gomez Finance and Budgeting		
			March 2010	September, 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
09-04 Compliance/Internal Control Cash Management Child and Adult Care Food Program, Emergency Food Assistance Program Cluster, Promoting Safe and Stable Families, Low Income Home Energy Assistance, Social Security-Disability Insurance	We recommend the PRDF to establish adequate procedures and 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 for the Cash Management Unit, Budget Office, of the Secretariat. ASUME Clarifies: there are many reasons that can clarify why Matching level do not reconcile base on : 1. Federal Fiscal Year is different with State Fiscal Year. 2. Federal reporting requirements to reimburse federal financial participation becomes from matching. This matching is revised and approve quarterly through OCSE 396-A Report. This report proves that we spend combined funds, based on 34% of state funds and 66% of federal funds. 3. Federal funds have the flexibility of two years of use, different of state funds. This can make a difference on matching, when federal funds are use in next state fiscal year. 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.	March 2010	March 2010	Gloria Hernandez Budget Director			X
			March 2010	September 2010	Carlos Gomez Finance and Budgeting		X	



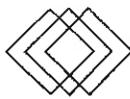
Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
09-05 Compliance/Internal Control Matching, Level of Effort and Ear-marking Child Support Enforcement	The PRDF shall train the 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 \$2,655,117	ADPAN developed a Manual of Procedures and Functions that facilitate the reporting and compliance with the implementation for an accounting system. Therefore, ADPAN issued the request of funds to the Federal Government, for the following transactions on March 3, 2010, Credit Notice 000091, Remittance 153510005149. Vouchers: 09011441, 09012144, 09012288, 090112324, 09011976, 09012230, 09012225 and 09019740.	March 2010		Angel Figueroa Medina Assistant Administrator			
		ASUME Clarifies: there are many reasons that can clarify why Matching level do not reconcile base on : 1. Federal Fiscal Year is different with State Fiscal Year. 2. Federal reporting requirements to reimburse federal financial participation becomes from matching. This matching is revised and approve quarterly through OCSE 396-A Report. This report proves that we spend combined funds based on 34% of state funds and 66% of federal funds. 3. Federal funds have the flexibility of two years of use, different of state funds. This can make a difference on matching, when federal funds are use in next state fiscal year.						X

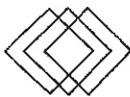


Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for Implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
<p>09-06</p> <p>Compliance/Internal Control Matching, Level of Effort, Earmarking</p> <p>Community Services Block Grant</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 2008-2009, 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 San Juan and Municipality of Bayamón); 5% for discretionary projects and the rest 5% for administrative costs. We started, making the detailed budget distribution as follows:</p> <p>A 90% Eligible Entities (4) B 5% Discretionary Funds C 5% Administrative Costs</p>	<p>March 2010</p>		<p>Angel Figueroa Medina Assistant Administrator</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> <p>Questioned Cost \$1,251,195</p>							

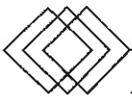




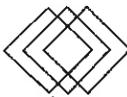
Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAF)														
						Pending	Partial Completes	Completed												
09-07 Compliance/Internal Control Activities allowed or unallowed, Allowable costs/cost principles Matching, level of effort, earmarking, Procurement and suspension and debarment Emergency Food Assistance Program Cluster, Public and Indian Housing, Temporary Assistance for Needy Families, Family Support Payment to States, Social Services Block Grant.	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. Questioned Costs: Could not be determined	ADSEF Response: We understand that given the limits provided by PRFAS, 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.	March 2010																	



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 (CAF)		
						Pending	Partial Complete	Completed
09-08 Compliance/Internal Control Matching, level of effort, earmarking, Child Care and Development Block Grant	<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 administrative and quality activities. The expansion of the chart of accounts would permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the program.</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> <p>Questioned Costs: Could not be determined</p>	<p>The finance and budget divisions will make the proper adjustments in the chart of accounts to expand the identification of administrative and quality activities. We will communicate with Treasury Department to segregate in PRIFAS those earmarks.</p> <p>We will also prepare specific procedures for the accounting of such expenditures. These procedures will include a quarterly follow-up before the preparation of the federal report that considers these earmarks. This control will permit us to ensure complete, adequate, and timely reporting.</p>	March 2010	June 2010	Finance and Budget Division	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 (CAF)		
						Pending	Partial Complete	Completed
09-09 Compliance/Internal Control Matching, Level of Effort and Earmarking Nutrition Assistance Program for Puerto Rico	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. This shall ensure that the budget is prepared following the federal guidelines and that those personnel in charge of approving and recording expenditures may prevent or detect and correct instances when expenditures incurred do not comply with the percentage requirements. Program expenditures shall also be monitored to track state-level activities. The preparation on a periodic basis of a report summarizing these expenditures is a good tool for monitoring and follow up purposes. Questioned Costs \$769,563	ADSEF Response: The deficiency in the state share of cost in the amount of \$769,563 is caused by the allocation of indirect costs reimbursed to ADSEF to the Secretariat. Indirect costs are reimbursed to ADSEF which in turn transfers them to the Secretariat. The federal share as well as the state share of these costs are expensed and accounted by the Secretariat.	March 2010					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
09-10 Compliance/Internal Control Period of Availability Low Income Home Energy Assistance	<p>To provide reasonable assurance that federal funds are used only during the authorized period of availability, the PRDF shall establish formal policies and procedures to ascertain that:</p> <p>a) The budgetary process considers the period of availability for the obligation and disbursement of federal funds and provides for the identification and communication of cut-off requirements;</p> <p>b) the accounting system prevents obligations or expenditures of federal funds to be processed outside the period of availability through the timely review of disbursements by persons knowledgeable the applicable requirements;</p> <p>c) 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;</p> <p>d) the periodic reporting of budgeted versus actual expenditures and unliquidated balances to appropriate levels of management for proper review before and after cut-off dates; and</p> <p>e) the recording of all obligations incurred in relation to federal awards through the module of Payment Vouchers with Obligations.</p> <p>Questioned costs \$45,775</p>	<p>ADSEF Response: We will review the various periods of availability all grants administered by ADSEF with all new and existing employees involved in the disbursement cycle to ascertain that they are timely obligated.</p>	March 2010	September 2010	Carlos Gomez 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
09-11 Compliance/Internal Control Subrecipient Monitoring Community Services Block Grant	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.	We are aware of establishing OMB 133 and eager to meet it, we have evidence of the efforts made delegated agencies comply with the requirement of monitor and audits during the past two years have made efforts to ensure compliance with this requirement. Regular visits will be established to monitor the entities and demand the single audit should bring.	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
09-12 Compliance/Internal Control Reporting Social Security-Disability Insurance	<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>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.</p> <p>Questioned Costs: Could not be determined</p>	<p>Secretariat Response: The reporting for the Disability Determination Program requires to include all the pending obligation 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. Never the amounts of the obligations included in the reports will coincide with amounts of obligation included in PRIFAS.</p>	March 2010	March 2010	Gloria Hernandez Budget 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
09-13 Compliance/Internal Control Reporting 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 and 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>ASUJME Response: When comparing expenses from OCSE 396-A Report and PRIFAS records, most consider that OCSE 396-A is prepared with Financial Books, which record real payments did. On financial books we recognize expenses with a supporting of payments. Some expenses are generated by Secretary of PRDF, Authority of Public Building (Autoridad de Edificios Públicos AEP), Administration for General Services (Administración de Servicios Generales ASC) and Office of Management and Budget (Oficina de Gerencia y Presupuesto OGP) we can not recognize it on our financial books because the supporting payments are not created by us and some of them are expenses through interagency transferences.</p> <p>\$403,638 of Indirect Cost was paid on Fiscal Year 2009 but this was a remaining of federal fiscal year 2007.</p> <p>Indirect Cost per OCSE 396-A Report represents the real cost to be expended during the fiscal year.</p> <p>PRIFAS do not presents what Indirect Cost was claimed on OCSE 396-A Report. PRIFAS only shows the amount paid of indirect cost.</p> <p>Correction: The OCSE 34-A report contains information from the Puerto Rico Automated Child Support System (PRACSES) database. This system is administered by EVERTEC Inc. This database becomes from activities generated in PRACSES regarding the collection and distribution of child support monies. They do not handle paternity tests.</p>	March 2010					



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 obtain the reports of internal controls in a service organization in accordance with Statement on Auditing Standards No. 70 from the EBT service provider, as required under the professional service contract signed. A SAS 70 report provides the user organization information regarding the service organization's control objectives and control activities. The report also provides an opinion of an independent service auditor on the operating effectiveness of such control activities. In order to monitor the accuracy and completeness of the transactions processed by the service organization, PRDF should examine the SAS 70 report and identify the control objectives and control activities relevant to PRDF, and verify whether they were operating effectively.</p> <p>Questioned Costs: Could not be determined</p>	<p>ASUME Response Continue: In accordance with your recommendation, ASUME had implemented that Finance Division and Budget Office will establish applicable federal percentage guidelines, and periodically monitoring to identify possible non-compliance.</p>	March 2010	April 2010	CPA Dania Frias Martinez Finance Division Anny C. Morel Nin Budget Division		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
09-14 Compliance/Internal Control Reporting Community Service Block Grant, Head Start, Promoting Safe and Stable Families, Child Care and Development Block Grant.	<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 report accurate information on a timely manner.</p> <p>Questioned Costs: Could not be determined</p>	<p>ACUDEN installed a mechanized application of budget control and financial transaction's register (MIP) for federal and state funds administered by the Agency. It will facilitate 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 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> <p>ADFAN Response: Community Service Block Grant</p> <p>The ADFAN accounting information is obtained through the PRIFAS system. According to our accounting records, the period of October 1, 2007 to September 30, 2008, in the account G-08B1PRCOSR the expenditure on that account was \$ 20, 733,980.00 which was the amount reported in the interim report SF-269. (See evidence attachment)</p> <p>In the account G-07B1PRCOSR the SF-269 report also reflects the expenditure shown in PRIFAS during the period from 1 October 2007 until 30 September 2008 for \$ 8, 080,298.00. (See evidence attachment) This information was provided and clarified with Mr. Orlando Rodriguez the auditor Aquino, De Córdova, Alfaro & Co.</p>	December 2009	September 2010	Finance Division		X	
					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
09-15 Compliance/Internal Control Reporting Emergency Food Assistance Cluster; Emergency Food Assistance Program (Administrative Costs); Emergency Food Assistance Program (Commodities).	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 (PRFAS) to ensure the correct accounting of transactions and report accurate information on a timely manner. Questioned Costs: Could not be determined	Promoting Safe and Stable Families In both accounts payroll expenses were not reflected in the PRFAS system therefore not reported spending when SF-269 report was sent. Payroll controls shall be set to report the actual spending information.	March 2010	September 2010	Carlos Gomez Finance and Budgeting		X	

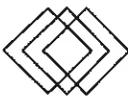
Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
09-16 Compliance/Internal Control Reporting Temporary Assistance for Needy Families Family Support Payment to States.	<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>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.</p> <p>Questioned Costs: Could not be determined</p>	<p>ADSEF Response: The preparation of Federal Reports is based on the internal budgeting system, SacPre, which tracks obligations and disbursements of the various Federal grants. Due to the difference in closing periods between the Puerto Rico fiscal year and the U.S. fiscal year and delays by the P.R. Treasury Department in recording revenue transaction in PRIFAS, it is a monumental task to match PRIFAS with the federal reporting. We will enhance our internal budgeting system to create federal reports automatically.</p>	March 2010	September 2010	Carlos Gomez 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
09-17 Compliance/Internal Control Reporting, Special Test Emergency Food Assistance Clauter: Emergency Food Assistance Program (Administrative Costs), Emergency Food Assistance Program (Commodities).	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 Response: ADSEF has developed an application (Web-Based) to manage and control the inventory of food in both warehouses. The application is in the testing stage and is 75% developed. The remaining 25% consist in adapting the recommendations by the team for validation of the application. For example: Capability 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 warehouses and adds greater control over all movement of the inventory of food distributed weekly, monthly and annually. Inclusive, shall be reconciled periodically with the storage facility's inventory records. It also allows for the preparation and maintenance of physical and perpetual inventory, in addition to all federal report required by the Federal Government.	March 2010	September 2010	TEFAP--Elaine Porriata Toro		X

Finding Number, Topic Sentences 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
09-18 Compliance/Internal Control Reporting Nutrition Assistance Program for Puerto Rico	<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>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.</p> <p>Questioned Costs: Could not be determined</p>	<p>The preparation of Federal Reports is based on the internal budgeting system, SacPre, which tracks obligations and disbursements of the various Federal grants. Due to the difference in closing periods between the Puerto Rico fiscal year and the U.S. fiscal year and delays by the P.R. Treasury Department in recording revenue transaction in PRIFAS, it is a monumental task to match PRIFAS with the federal reporting. We will enhance our internal budgeting system to create federal reports automatically.</p>	March 2010	September 2010	Carlos Gomez Finance and Budgeting		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
09-19 Compliance/Internal Control Eligibility and Special Test Child Support Enforcement	<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: The Administration for the Child Support Enforcement is in the process of revising its Procedures Manual; these findings will be discussed with the staff to be sure that these conditions be reflected in the Case Management Chapter.</p>	November 2009	March, 2011	Waddy Mercado Maldonado Administrator		X	

