COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2011

Aquino, De Córdova, Alfaro & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
FISCAL YEAR ENDED JUNE 30, 2011
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FINANCIAL SECTION

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Independent Auditors' Report

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

We have audited the accompanying Statement of the Cash 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, 2011. This Statement is the responsibility of the PRDF's management. Our responsibility is to express opinions in the general and special funds 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 financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

As described in Note A to the Statement, the PRDF prepares its Statement on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly, in all material respects, the cash receipts and disbursement of the Department of the Family of the Commonwealth of Puerto Rico for the year ended June 30, 2011, 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 23, 2012, on our consideration of the PRDF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the PRDF's Statement of Cash Receipts and Disbursements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the Statement of the PRDF. The Schedule of Expenditures of

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the PRDF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the PRDF's Statement of Cash Receipts and Disbursements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the Statement of the PRDF. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the Statement. The information has been subjected to the auditing procedures applied in the audit of the Statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement or to the Statement itself and other additional procedures in our opinion, the information is fairly stated, in all material respects, in relation to the Statement in accordance with auditing standards generally accepted in the United States of America.

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

March 23, 2012 Aquino, De Cordova, Alfaro & Co. LLP

Stamp number 2635075
Has been affixed to the
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COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Special Revenue	Total Governmental Funds
Receipts			
Grants and contributions	$ -	$ 2,448,033,902	$ 2,448,033,902
Legislative appropriations and other assigments	360,193,877	-	360,193,877
	360,193,877	2,448,033,902	2,808,227,779
Disbursements			
Personnel:			
Salaries and fringe benefits:			
Regular employees	154,220,105	81,088,416	235,308,521
Transitory employees	16,240,597	365,117	16,605,714
Irregular employees	212,004	278,927	490,931
	170,672,706	81,732,460	252,405,166
Non-personnel:			
Advertising	1,012,145	1,919,249	2,931,394
Capital outlays	1,077,097	3,472,918	4,550,015
Donations, grants and other distributions	81,827,450	2,284,003,864	2,365,831,314
Facilities and utilities	21,049,348	3,824,880	24,874,228
Materials	2,149,233	2,528,931	4,678,164
Miscellaneous services	40,599,864	11,193,770	51,793,634
Operating transfers	11,172,610	55,114,435	66,287,045
Other	3,245,758	4,478,810	7,724,568
Payment of prior years' liabilities	477,061	-	477,061
Professional services	8,550,993	25,405,789	33,956,782
Transportation and subsistence	2,355,854	1,079,041	3,434,895
	173,517,413	2,393,021,687	2,566,539,100
	344,190,119	2,474,754,147	2,818,944,266
Excess (Deficiency) of receipts over disbursements	$ 16,003,758	$ (26,720,245)	$ (10,716,487)

See accompanying notes to Statement of Cash Receipts and Disbursements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Basis of presentation

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

Basis of accounting

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

NOTE B - RETIREMENT PLANS

Defined benefit plan

All regular employees hired before January 1, 2003 and less than 55 years old at the date of employment are covered, and must participate, in the employee defined benefit retirement plan. The Plan is administered by the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities, and is a cost-sharing multiple employer plan. Employees must contribute 5.775% for the first $550 of their monthly gross salary and 8.275% for the salary in excess of $550. The PRDF contributes 9.275% of total gross salaries.

NOTE B - RETIREMENT PLANS - CONTINUED

Defined contribution plan- continued

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

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

Total employer contributions made to both employee benefit plans during the years ended June 30, 2011, 2010 and 2009 amounted to approximately $15.6 million, $19.8 million and $20.9 million, respectively.

NOTE C - COMPENSATED ABSENCES

Regular employees accrue vacation and sick leave of 2.5 days and 1.5 days per calendar month, respectively. The allowed maximum number of accumulated days of regular vacation and sick leave is 60 days and 90 days, respectively.

NOTE D - INDIRECT COST ALLOCATION PLAN

The United States Department of Health and Human Services (the "HHS"), the Audit Cognizant Agency, approves the rates used by the PRDF to allocate qualified types of expenditures from state funds to federal financial assistance programs. For the year ended June 30, 2011, rates in the indirect cost allocation plan approved by HHS ranged from 8% to 18.5%.

NOTE E - CONTINGENCIES

Litigation

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

NOTE E - CONTINGENCIES - CONTINUED

Federal awards

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

On March 23, 2012, the PRDF submitted a corrective action plan as a result of prior audit findings. Total questioned costs included in the single audit reports for the years ended June 30, 2010 and 2009 amounted to $1,560,386 and $3,470,455 respectively. The outcome of these findings and related program determinations are uncertain at this time. The PRDF is engaged in an ongoing settlement process with the HHS over potential claims arising from a variety of audits and program reviews over the last several years. None of these potential claims have been asserted or threatened. The settlement of the claims could require a potential payment in an amount that could be material.

The Independent Auditors' Report in the accompanying compliance section on pages 13 through 19 disclose several material weaknesses and significant deficiencies over both financial reporting and programmatic controls including instances of noncompliance with applicable laws and regulations.

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

SUPPLEMENTARY INFORMATION

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Agency/Pass-Through Agency/Program Title	CFDA	Pass-Through Number	Federal Expenditures
U.S. Department of Agriculture / Pass-through the Puerto Rico Department of Education			
Child and Adult Care Food Program	10.558	*	$ 1,038,160
U.S. Department of Agriculture			
Nutrition Assistance Program for Puerto Rico Cluster:			
Nutrition Assistance Program for Puerto Rico	10.566		1,751,046,939
Nutrition Assistance Program for Puerto Rico	10.566 ARRA		256,592,506
			2,007,639,445
Emergency Food Assistance Program Cluster:			
Emergency Food Assistance Program (Administrative Cost)	10.568		1,760,678
Emergency Food Assistance Program (Administrative Cost)	10.568 ARRA		758,526
Emergency Food Assistance Program (Commodities)	10.569		8,763,553
Emergency Food Assistance Program (Commodities)	10.569 ARRA		34,136
			11,316,893
U.S. Department of Housing and Urban Development			
Emergency Shelter Grants Program	14.231		3,655,495
Homelessness Prevention and Rapid Re-Housing Program	14.257 ARRA		9,253,736
U.S. Department of Housing and Urban Development / Pass-through the Puerto Rico Housing Department			
Public and Indian Housing	14.850	*	2,723,395
U.S. Department of Labor			
Senior Community Service Employment Program	17.235		480,346
Youth Summer	17.256		145,368
Youth Activities	17.259		392,948
U.S. Department of Health and Human Services			
Promoting Safe and Stable Families	93.556		4,412,328
Temporary Assistance for Needy Families	93.558		104,960,578
Family Support Payment to State-Assistance Payment	93.560		9,591,919
Child Support Enforcement	93.563		29,059,681
CSBG Cluster:			
Community Service Block Grant	93.569		35,279,831
Community Service Block Grant	93.569 ARRA		5,818,706
			41,098,537
Low-Income Home Energy Assistance	93.568		2,888,650

See accompanying notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Agency/Pass-Through Agency/Program Title	CFDA	Pass-Through Number	Federal Expenditures
CCDF Cluster:			
Child Care and Development Block Grant	93.575		72,121,089
Child Care and Development Block Grant	93.713 ARRA		19,588,007
			91,709,096
Community Based Family Resources Program	93.590		501,656
Access and Visitation Program Grant	93.597		35,892
Chafee Education and Training Voucher Program	93.599		601,390
Head Start Cluster:			
Head Start	93.600		119,073,638
Head Start	93.708 ARRA		7,972,288
			127,045,926
Adoption Incentive Payments	93.603		107,526
Children Justice Grants to States	93.643		149,180
Child Welfare Services - State Grants	93.645		1,850,585
Foster Care - Title IV-E	93.658		77,555
Adoption Assistance	93.659		115,802
Social Services Block Grant	93.667		22,202,720
Child Abuse and Neglect – State Grants	93.669		920,247
Domestic Violence	93.671		1,346,876
Chafee Foster Care Independence Program	93.674		1,898,416
U.S. Corporation for National and Community Services			
Retired Senior Volunteers	94.002		34,572
U.S. Social Security Administration			
Social Security – Disability Insurance	96.001		6,296,918
Total Federal Award Expenditures			$2,483,551,836

* Pass-through number is not available

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

See accompanying notes to the Schedule of Expenditures of Federal Awards

NOTE A -BASIS OF ACCOUNTING

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

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

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

NOTE B -CLUSTER

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

NOTE C-TRANSFERABILITY

For purposes of the Schedule, the expenditures of the funds transferred from the Temporary Assistance for Needy Families (CFDA No. 93.558) to the Social Services Block Grant (CFDA No. 93.667) and to the Child Care and Development Block Grant (CFDA No. 93.575) in the amounts of $5,258,339 and $22,095,758 respectively, were included in the total expenditures of the receiving program.

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

The Schedule includes the amount of Food Commodities used for the Emergency Food Assistance Program. This amount is not included in the Statement of Cash Receipts and Disbursements. The total amount used during the fiscal year ended June 30, 2011 was $8,797,689.

Reconciliation between the Schedule and the Statement is as follows:

Schedule of Expenditures of Federal Awards	$ 2,483,551,836
Less: Entitlement amount of Food Commodities	8,797,689
Federal expenditures per Statement of Cash Receipts and Disbursements	$ 2,474,754,147

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE E – FEDERAL AWARDS PASSED THROUGH TO SUB-RECIPIENTS

CFDA	PROGRAM	NAME	AMOUNT
93.556	Promoting Safe and Stable Families	Clinica de Salud Mental	$ 1,330,267
93.558	Temporary Assistance	Municipio de Toa Baja	980,145
93.558	Temporary Assistance	Municipio de Carolina	836,535
93.569	Community Service Block Grant	Acción Social de Puerto Rico	13,572,424
93.569	Community Service Block Grant	Instituto Socioeconómico	11,700,677
93.569	Community Service Block Grant	Municipio de San Juan	6,011,143
93.569	Community Service Block Grant	Municipio Bayamón	1,500,306
93.569 ARRA	Community Service Block Grant	Acción Social de Puerto Rico	5,421,154
93.575	Child Care and Development Block	Programa Avance en Puerto Rico	1,951,809
93.575	Child Care and Development Block	Centro de Ayuda y Terapia al Niño	1,621,381
93.575	Child Care and Development Block	Servicios Sociales Episcopales	1,361,141
93.575	Child Care and Development Block	Municipio de Bayamón	1,291,264
93.575	Child Care and Development Block	Municipio de Arecibo	1,204,940
93.575	Child Care and Development Block	Municipio de Morovis	948,090
93.575	Child Care and Development Block	Municipio de Santa Isabel	944,833
93.575	Child Care and Development Block	Municipio de Guayama	625,935
93.575	Child Care and Development Block	Municipio de Canovanas	594,482
93.575	Child Care and Development Block	Municipio de Aguas Buenas	546,468
93.575	Child Care and Development Block	Universidad de Puerto Rico	536,000
93.575	Child Care and Development Block	Mi reino infantil	520,076
93.600	Head Start	Municipio Autonomo de San Sebastian	511,018
93.600	Head Start	Municipio de Arecibo	10,344,295
93.600	Head Start	Municipio de Guayama	10,132,453
93.600	Head Start	Programa Avance en Puerto Rico	8,157,625
93.600	Head Start	Municipio de Toa Baja	7,595,869
93.600	Head Start	Municipio de Orocovis	7,199,668
93.600	Head Start	Municipio de Humacao	6,913,894
93.600	Head Start	Municipio de Vega Baja	6,329,433
93.600	Head Start	Fundación Desarrollo Hogar	5,982,704
93.600	Head Start	Municipio Juana Diaz	5,737,705
93.600	Head Start	Municipio de Cayey	5,717,629
93.600	Head Start	Municipio Autonomo Aguadilla	5,606,458
93.600	Head Start	Municipio de Utuado	5,353,920
93.600	Head Start	Municipio Sabana Grande	4,608,031
93.600	Head Start	Municipio Manati	4,575,377
93.600	Head Start	Municipio Peñuelas	3,495,457
93.600	Head Start	Municipio de Fajardo	3,298,717
93.600	Head Start	Municipio Autonomo de San Sebastian	3,115,501
93.600	Head Start	Municipio de Barceloneta	2,867,470
93.600	Head Start	Municipio de Dorado	2,520,557
93.600	Head Start	Consorcio del Noreste	2,299,736
93.600	Head Start	Municipio de Carolina	1,221,517

NOTE E – FEDERAL AWARDS PASSED THROUGH TO SUB-RECIPIENTS - CONTINUED

CFDA	PROGRAM	NAME	AMOUNT
93.708 ARRA	Head Start - ARRA	Municipio de Guayama	789,266
93.708 ARRA	Head Start - ARRA	Municipio de Fajardo	779,573
93.708 ARRA	Head Start - ARRA	Municipio de Manati	759,725
93.708 ARRA	Head Start - ARRA	Municipio Autónomo Aguadilla	714,808
93.708 ARRA	Head Start - ARRA	Municipio de Peñuelas	600,164
Subrecipients less than $500,000			49,356,785
			$ 220,084,425

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying Statement of Cash Receipts and Disbursements (the "Statement") of the Department of the Family of the Commonwealth of Puerto Rico (the "PRDF") for the fiscal year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the Statement discloses that, as described in Note A to the Statement, the PRDF prepares its Statement on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the PRDF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statement but not for the purpose of expressing an opinion on the effectiveness of the PRDF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the PRDF's internal control over financial reporting.

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

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GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

A deficiency in 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such as there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2011-01 through 2011-05 and 2011-07 through 2011-22.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies 2011-06.

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. 2011-01 through 2011-22. The PRDF's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the PRDF's response and, accordingly, we express no opinion on it.

This report in intended solely for the information and use of the management and officials of the Puerto Rico Department of the Family, the Commonwealth of Puerto Rico, the United States Department of Health and Human Services (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 23, 2012 Aquino, De Córdova, Alfaro & Co. LLP

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original report

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

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

Compliance

We have audited the Puerto Rico Department of the Family's (the "PRDF") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the PRDF's major federal programs for the fiscal year ended June 30, 2011. The PRDF's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the PRDF's management. Our responsibility is to express an opinion on the PRDF's compliance based on our audit.

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

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

Finding number	Compliance requirement (s)	Program (s)	CFDA
2011-02	Allowable cost/Cost principle	All Federal Programs	All programs
2011-03	Activities Allowed or Unallowed, Allowable Costs/Cost principle	Public and Indian Housing	14.850
2011-04	Cash Management	Community Service Block Grant, Child Care and Development Block Grant, Head Start, Social Service Block Grant	93.569, 93.575, 93.600, 93.667
2011-05	Cash Management	Emergency Food Assistance Program (Adm. Costs), Homelessness Prevention and Rapid Re-Housing Program, Head Start, Child Care and Development Block Grant	10.568, 10.568 ARRA, 14.257 ARRA, 93.708 ARRA, 93.713 ARRA
2011-06	Eligibility	Public and Indian Housing	14.850
2011-07	Equipment and Real Property Management	Public and Indian Housing, Community Service Block Grant, Social Service Block Grant	14.850, 93.569, 93.569 ARRA, 93.667
2011-08	Activities Allowed or Unallowed, Allowable Cost/Cost principle, Procurement Suspension and Debartment	Public and Indian Housing	14.850
2011-09	Activities Allowed or Unallowed, Allowable Cost/Cost principle, Procurement Suspension and Debartment	Social Service Block Grant	93.667
2011-10	Reporting	Nutrition Assistance Program for Puerto Rico	10.566, 10.566 ARRA
2011-11	Reporting	Emergency Food Assistance Program (Adm. Cost)	10.568
2011-12	Reporting	Homelessness Prevention and Rapid Re-Housing Program (ARRA)	14.257
2011-13	Reporting	Child Support Enforcement	93.563
2011-14	Reporting	Community Services Block Grant	93.569, 93.569 ARRA
2011-15	Reporting	Head Start (ARRA), Child Care and Development Block Grant (ARRA)	93.600, 93.708 ARRA 93.575, 93.713 ARRA
2011-16	Reporting	Head Start	93.600
2011-17	Reporting	Child Care and Development Block Grant	93.575
2011-18	Reporting	Social Services Block Grant	93.667
2011-19	Reporting	Child Care and Development Block Grant (ARRA)	93.713 ARRA
2011-20	Reporting	Temporary Assistance for Needy Families Family Support Payment to States- Assistance Payments	93.558 93.560
2011-21	Sub-recipient Monitoring	Community Services Block Grant	93.569, 93.569 ARRA
2011-22	Eligibility, Special Test and Provisions	Child Support Enforcement	93.563

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

In our opinion, except for the noncompliance described above, the PRDF complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 2011-01 through 2011-22.

Internal Control Over Compliance

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and question costs as Findings No. 2011-01 through 2011-05 and 2011-07 through 2011-22 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2011-06 to be a significant deficiency.

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

This report in intended solely for the information and use of the management and officials of the Puerto Rico Department of the Family, the Commonwealth of Puerto Rico, the United States Department of Health and Human Services (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 23, 2012 Aquino, De Córdova, Alfaro & Co. LLP

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results

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

CFDA	Program	Type of opinion
	Nutrition Assistance Cluster:	Qualified
10.566	Nutrition Assistance Program for Puerto Rico	
10.566ARRA	Nutrition Assistance Program for Puerto Rico	
	Emergency Food Assistance Cluster:	Qualified
10.568	Emergency Food Assistance Program (Administrative Cost)	
10.568 ARRA	Emergency Food Assistance Program (Administrative Cost)	
10.569	Emergency Food Assistance Program (Commodities)	
10.569 ARRA	Emergency Food Assistance Program (Commodities)	
14.257 ARRA	Homelessness Prevention and Rapid Re-Housing	Qualified
14.850 (1)	Public and Indian Housing (1)	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
	CSBG Cluster:	Qualified
93.569	Community Service Block Grant	
93.569 ARRA	Community Service Block Grant	
	CCDF Cluster:	Qualified
93.575	Child Care and Development Block Grant	
93.713 ARRA	Child Care and Development Block Grant	
	Head Start Cluster:	Qualified
93.600	Head Start	
93.708 ARRA	Head Start	
93.667	Social Service Block Grant	Qualified

(1) The U.S Department of Housing has required this program be audited has a major program.

Summary of Auditors' Results – continued

5- The audit disclosed findings required to be reported under the OMB Circular A-133.
6- A threshold of $7,450,656 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
7- The PRDF did not qualify as a low-risk auditee as this term is defined in OMB Circular A-133.
8- The PRDF's major programs were the followings:

CFDA	Program	Questioned Costs
	Nutrition Assistance Cluster:	
10.566	Nutrition Assistance Program for Puerto Rico	$ -
10.566 ARRA	Nutrition Assistance Program for Puerto Rico	
	Emergency Food Assistance Cluster:	
10.568	Emergency Food Assistance Program (Administrative Cost)	
10.558 ARRA	Emergency Food Assistance Program (Administrative Cost)	
10.569	Emergency Food Assistance Program (Commodities)	
10.569 ARRA	Emergency Food Assistance Program (Commodities)	
14.257 ARRA	Homelessness Prevention and Rapid Re-Housing	
14.850	Public and Indian Housing	
93.558	Temporary Assistance for Needy Families	
93.560	Family Support Payment to States- Assistance Payment	
93.563	Child Support Enforcement	
	CSBG Cluster:	
93.569	Community Service Block Grant	
93.569 ARRA	Community Service Block Grant	
	CCDF Cluster:	
93.575	Child Care and Development Block Grant	
93.713	Child Care and Development Block Grant	
	Head Start Cluster:	
93.600	Head Start	
93.708 ARRA	Head Start	
93.667	Social Service Block Grant	-
		$ -

Finding Number:	*2011-01*
Finding Type:	*Financial Statements and Federal Awards*
Federal Program:	*All federal programs*
Category:	*Internal Control - Material Weakness*
Compliance Requirement:	*Special Test and Provisions*
Administration:	*The Secretariat, Administration for the Socioeconomic Development, Administration for Families and Children, Administration for the Integral Care and Development of the Children, Administration for the Child Support Enforcement*

Criteria

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

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

20 CFR 437.2 – (b) (2) establish grantees and sub grantees must maintain records that adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or sub grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

Condition

The PRDF maintains it 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, 2011, we noted the following related to the accounting policies, procedures, and financial reporting practices of the PRDF:

- There is a lack of a self-balancing set of accounts for each fund to record cash and other financial resources, related liabilities, residual equities or balances, and any related changes there-in. The accounts are not segregated sufficiently to cover a specific activity or objective in accordance with special regulations, restrictions, or limitations.

- The PRDF has inappropriate and/or incomplete cut-off procedures, as well as incomplete month-end and year-end closing procedures. Many transactions are posted months after the applicable closing, with a retroactive effect. In this regard, a significant amount of journal vouchers is processed.

- The PRDF has inappropriate and/or incomplete budgeting control between grants award distribution and programmatic activities allocations. In various federal programs we were unable to verify its compliance with certain percentages limitations as required by applicable regulations.

Effect

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

Questioned costs

Could not be determined

Recommendation

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

Recommendation- continued

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

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

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

Management's Response

See Corrective Action Plan.

Finding Number:	*2011-02*
Finding Type:	*Financial Statements and Federal Awards*
Federal Program:	*All federal programs*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Allowable Cost/Cost Principle*
Administration:	*The Secretariat, Administration for Families and 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 whose salaries or wages have been charged to a federal program. If employees worked solely on one federal program and 100% of their salary or wages are charged to the program, PRDF must obtain a certification. These certifications shall be prepared at least semi-annually and should be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. This certification must be kept on the employee's file.

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

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

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

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

Condition

We noted that the PRDF does not have adequate supporting documentation to substantiate payroll costs claimed for federal reimbursement. The PRDF has 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 PRDF is not in compliance with federal allowability guidelines to allocate employee salaries and wages to grants based on actual time spent by employees working on each program. In addition, inadequate documentation and lack of required certifications may result in the federal funds being expended for unallowable purpose.

Questioned costs

Could not be determined

Recommendation

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

Management's Response

See Corrective Action Plan

Finding Number:	*2011-03*
Finding Type:	*Financial Statements and Federal Awards*
CFDA:	*14.850*
Federal Program:	*Public and Indian Housing Program*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Activities allowed or unallowed, allowable cost/cost principles*
Administration:	*Administration for Families and Children*

Criteria

Section C (1) (j) of the OMB Circular A-87 "Factors affecting allowability of costs" establishes that to be allowable under Federal awards, costs must be adequately documented.

CFR 7, Part 3016 – Subpart C "Post-Award Requirements" – Section 3016.20 "Standards for financial management systems", and 45 CFR 92.20 (b) (2) establishes that:

(2) Accounting records. 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.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Section (b) (1)of CFR 7 3016.36 and 45 CFR 92.36 (b) establish that Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

Criteria - continued

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

Condition

To test Compliance with activities allowed or unallowed and allowable cost/cost principles, we selected a sample of 10 disbursement transactions. During performance of our test we noted that supporting documentation of disbursement transactions were not properly signed or authorized.

Voucher Number	Item Amount
11011300	$ 1,886
11011431	2,800
11011608	1,114
11012682	205,921
11012143	2,336
11012683	230,875
11012684	306,145
12009095	307,581
12009639	361,063
12009790	380,808
Total	**$ 1,800,529**

Effects

Those conditions could result in the reimbursement of federal funds to the grantors for those disbursements not properly supported nor authorized by the corresponding grantors representatives. Also, the lack of review of payment vouchers could result in noncompliance with federal regulations and cost disallowances by the grantors. Additionally, amounts disbursed for unallowable expenditures charged to the federal programs were not detected by the PRDF due to lack of adequate controls.

Questioned costs

Could not be determined

Recommendation

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

- Maintain adequate documentation to support the allowability of its expenditures. The PRDF shall improve its internal control over the filing and safeguarding of documents in order to provide them on time for the auditor's review.

- Establish and implement written policies and procedures for all aspects of the programs, including controls for hold safeguard supporting documentation related to financial transactions.

- Provide adequate training to employees regarding each program requirements and proper disbursement processing procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-04*
Finding Type:	*Federal Awards*
CFDA:	*93.569, 93.575, 93.600, 93.667*
Federal Program:	*Community Service Block Grant, Child Care and Development Block Grant, Head Start, Social Service Block Grant,*
Category:	*Internal Control - Material Weakness*
Compliance Requirement:	*Cash Management*
Administration:	*Administration for Families and Children, Administration for the Integral Care and Development of the 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 205.12 establishes that the reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that the State has already paid out the funds for Federal assistance program purposes.

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 are auditable and accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.

Criteria - continued

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, 2011, 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.

Community Service Block Grant

In three (3) out of forty (40) reimbursement request transactions tested, we noted that the Federal funds were received by the PRDF prior to the day the PRDF paid out funds for federal assistance program purposes. The detail of transactions is as follows:

Voucher Number	Voucher Date	Check No.	Check Date	Amount	Date Cleared	Credit Notice Number	Credit Notice Date
11011409	12/28/10	00002644	12/30/10	$ 9,600	01/05/11	000445	12/30/10
11012822	06/08/11	02634633	06/13/11	$ 673,582	12/13/11	000655	06/13/11
11012824	06/08/11	02634631	06/13/11	$ 972,204	06/17/11	000655	06/13/11

In addition, there was a disbursement transaction that client can't provided us the specific fund petition, "Comprobante de Remesa" and credit notice because petition was performed together with other disbursement transactions.

Condition – continued

Child Care and Development Block Grant

In one (1) out of the sixty (60) 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:

Petition Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11013210	5/13/2011	2623476	9/2/2011	$142,857	51036443763484	6/29/2011

Head Start

In four (4) out of sixty (60) 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.	Amount	Date Cleared
11011540	12/14/10	2548366	$ 875	12/27/10
11012777	04/05/11	2604431	$ 20,240	05/02/11
11012240	02/18/11	2578041	$ 729	03/14/11
11012095	12/30/10	2571729	$ 44	03/01/11

Condition – continued

Social Service Block Grant

In twelve (12) out of forty (40) reimbursement request transactions tested, we noted that the Federal funds were received by the PRDF prior to the day the PRDF paid out funds for federal assistance program purposes. The detail of transactions is as follows:

Petition Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11010460	09/30/10	2511783	01/04/11	$ 10,500	000118	11/01/10
11011280	12/15/10	2546235	12/30/10	$ 25,020	000594	12/23/10
11011280	12/15/10	2546235	12/30/10	$ 39,420	000594	12/23/10
11011396	12/23/10	2551704	01/09/11	$ 18,000	000081	12/31/10
11011396	12/23/10	2551704	01/09/11	$ 72,000	000081	12/31/10
11011402	12/27/10	2552407	01/06/11	$ 455,000	000081	12/31/10
11011414	12/28/10	2552878	01/06/11	$ 326,802	000081	12/31/10
11011418	12/29/10	2553432	01/18/11	$ 505,894	000081	12/31/10
11011286	12/16/10	2547285	01/05/11	$ 1,340	000081	12/31/10
11011294	12/15/10	2546603	12/31/10	$ 3,990	000594	12/23/10
11011294	12/15/10	2546603	12/31/10	$ 1,200	000594	12/23/10
11011424	12/30/10	2553340	02/24/11	$ 163,095	000081	12/31/10

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 represents 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.

c) Provide adequate training to employees regarding each program is 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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-05*
Finding Type:	*Federal Awards*
CFDA:	*10.568, 10.568 ARRA, 14.257 ARRA, 93.708 ARRA, 93.713 ARRA*
Federal Program:	*Emergency Food Assistance Program(Administrative Costs), Homelessness Prevention and Rapid Re-Housing, Head Start (ARRA), Child Care and Development Block Grant (ARRA)*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Cash Management*
Administration:	*The Secretariat, 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 fund transfer to a state to the minimum amounts needed by the state and must time the disbursement to be in accordance with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project. The timing and amount of fund transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to sub grantees in accordance with OMB Circular A-102.

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

(a) (7) Cash Management. Procedures for minimizing the time elapsed between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable

Criteria – continued

procedures to ensure the receipt of reports on sub grantees cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.

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

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

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

Condition

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

Condition – continued

Emergency Food Assistance Program

In thirty-seven (37) out of forty (40) reimbursement request transactions tested, we noted the PRDF did not reduce the time between the drawdown of Federal funds and its disbursement. The detail of transactions is as follows:

Voucher Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11676673	04/28/10	02632115	06/08/11	122,300.00	000044	05/25/11
11AP1581	06/28/10	02485245	08/04/10	46,853.32	000091	07/07/10
11AP5034	06/29/10	02486127	08/06/10	37,550.00	000091	07/07/10
11AP5037	06/30/10	02485819	08/05/10	33.50	000072	07/12/10
11AP5040	07/01/10	02482756	07/28/10	550.00	000072	07/12/10
11675182	08/10/10	02499960	09/08/10	28,516.16	000096	08/19/10
11675185	08/10/10	00000793	09/07/10	22,000.00	000068	08/23/10
11675191	08/11/10	02499417	09/07/10	6,775.00	000069	08/23/10
11675248	08/18/10	02510068	09/30/10	1,908.73	000067	09/13/10
11675353	09/07/10	02510388	09/30/10	2,394.89	000179	09/14/10
11675434	09/13/10	02512979	10/06/10	1,774.50	000064	09/24/10
11675446	09/14/10	00001102	10/01/10	22,000.00	000065	09/24/10
116A5581	09/29/10	02518499	10/20/10	79.84	000113	10/04/10
11675611	10/06/10	02525495	11/02/10	31,000.00	000092	10/21/10
11675649	10/13/10	02533345	11/17/10	3,228.17	000092	10/21/10
11675650	10/13/10	02533344	11/17/10	28,516.16	000092	10/21/10
11675706	10/21/10	02535492	11/23/10	421.67	000067	11/05/10
11001904	11/04/10	02534620	11/22/10	1,032.04	000127	12/10/10
11675781	11/05/10	02537810	11/29/10	32,381.43	000081	11/09/10
11675839	11/24/10	02553269	01/03/11	69,500.00	000110	12/09/10
11675909	12/07/10	02554033	01/04/11	40,826.25	000126	12/14/10
11675937	12/15/10	02549854	12/27/10	4,178.14	000039	01/12/11
11676015	01/13/11	02566759	02/09/11	45,333.75	000157	01/31/11
11676085	01/26/11	02576289	03/11/11	195,650.00	000204	02/08/11
11676139	2/4/2011	02577875	03/03/11	44,943.75	000583	02/14/11
11676215	02/17/11	02588683	03/24/11	13,644.25	000216	03/16/11
11676354	03/09/11	02615683	05/13/11	10,993.00	000067	04/28/11

Condition – Continued

Emergency Food Assistance Program

Petition Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11676353	03/09/11	02619988	05/20/11	$ 22,000	000113	05/05/11
11676562	4/8/2011	02620532	05/20/11	$ 8,500	000113	05/05/11
11676578	04/11/11	02619986	05/20/11	$ 3,625	000113	05/05/11
11676579	04/11/11	02619985	05/20/11	$ 3,064	000113	05/05/11
11676629	04/20/11	02633556	06/10/11	$ 6,400	000044	05/25/11
11676716	05/03/11	02633144	06/10/11	$ 10,993	000044	05/25/11
11676740	05/06/11	02632252	06/08/11	$ 46,500	000044	05/25/11
11676753	05/11/11	02633591	06/10/11	$ 84,500	000044	05/25/11
11676651	05/26/11	02646532	07/01/11	$ 4,326	000109	06/09/11
11676877	06/02/11	02646077	07/01/11	$ 10,993	000109	06/09/11

Homelessness Prevention and Rapid Re-Housing Program

In fifty-nine (59) out of sixty (60) 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:

Petition Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11AP0200	07/14/10	00000362	07/15/11	$ 36,590	000526	07/08/10
11001323	10/18/10	00001425	10/19/10	$ 48,110	000753	10/04/10
11001200	10/04/10	00001178	10/06/10	$ 37,952	000502	09/29/10
11002491	12/13/10	00002459	12/15/10	$ 9,224	000403	12/06/10
11002900	01/19/11	00002736	01/21/11	$ 26,468	000487	12/28/10
11AP0202	07/14/10	00000366	07/15/10	$ 42,572	000525	7/8/2010
11001529	10/18/10	00001426	10/19/10	$ 80,180	000440	10/08/10
11002494	12/16/10	00002529	12/17/10	$ 13,264	000618	12/02/10
11002532	12/16/10	00002530	12/17/10	$ 26,136	000542	12/09/10
11002672	12/27/10	00002607	12/28/10	$ 25,731	000545	12/16/10
11000485	07/30/10	00000515	08/02/10	$ 34,210	000178	07/27/10
11000546	08/12/10	00000622	08/13/10	$ 41,635	000506	08/09/10
11002901	01/19/11	00002747	01/21/11	$ 16,903	000488	12/28/10
11001435	10/18/10	00001421	10/19/10	$ 23,477	000602	10/06/10

Condition – continued

Homelessness Prevention and Rapid Re-Housing Program

Voucher Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11003320	02/04/11	00003022	02/07/11	$ 30,870	000597	01/26/11
11003321	02/04/11	00003020	02/07/11	$ 14,003	000600	01/26/11
11003331	02/08/11	00003087	02/09/11	$ 2,471	000775	01/28/11
11003333	02/08/11	00003088	02/09/11	$ 6,023	000774	01/28/11
11003463	02/11/11	00003185	02/14/11	$ 22,681	000428	02/04/11
11003460	02/11/11	00003187	02/14/11	$ 15,417	000969	02/03/11
11003808	03/10/11	00003540	03/11/11	$ 17,063	000618	03/01/11
11003972	03/23/11	00003791	03/25/11	$ 8,000	000544	03/14/11
11004008	03/24/11	00003702	03/25/11	$ 28,307	000809	03/16/11
11004555	04/13/11	00003982	04/15/11	$ 27,677	000506	04/05/11
11004586	04/15/11	00004003	04/19/11	$ 4,393	000689	04/07/11
11004735	04/26/11	00004052	04/27/11	$ 12,145	000709	04/12/11
11004738	04/26/11	00004043	04/27/11	$ 6,139	000718	04/12/11
11004743	04/26/11	00004053	04/27/11	$ 11,617	000710	04/12/11
11004748	04/26/11	00004057	04/27/11	$ 25,561	000705	04/12/11
11004910	05/16/11	00004255	05/18/11	$ 50,332	000441	05/05/11
11005531	06/23/11	00004792	06/24/11	$ 15,000	000437	06/17/11
11005078	05/17/11	00004273	05/18/11	$ 46,832	000425	05/10/11
11005083	05/16/11	00004265	05/18/11	$ 13,442	000431	05/10/11
11005199	05/27/11	00004488	05/31/11	$ 7,437	000433	05/19/11
11004911	05/16/11	00004254	05/18/11	$ 25,432	000441	05/05/11
11005536	06/22/11	00004787	06/24/11	$ 7,339	000738	06/10/11
11003632	03/03/11	00003429	04/03/11	$ 35,135	000464	02/22/11
11004286	03/28/11	00003746	03/29/11	$ 6,576	000764	03/18/11
11004289	03/28/11	00003738	03/29/11	$ 6,870	000763	03/18/11
11004293	03/28/11	00003740	03/29/11	$ 18,823	000759	03/18/11

Condition - continued

Homelessness Prevention and Rapid Re-Housing Program

Voucher Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11004325	03/31/11	00003810	04/01/11	$ 31,127	000453	03/25/11
11004340	03/31/11	00003813	04/01/11	$ 25,587	000455	03/25/11
11004684	04/19/11	00004017	04/20/11	$ 9,313	000704	04/11/11
11004685	04/19/11	00004016	04/20/11	$ 6,407	000707	04/11/11
11004701	04/19/11	00004018	04/20/11	$ 5,638	000708	04/11/11
11004758	04/28/11	00004085	04/29/11	$ 2,000	000524	04/13/11
11005085	05/17/11	00004264	05/18/11	$ 8,851	000435	05/10/11
11005159	05/23/11	00004362	05/24/11	$ 4,217	000703	05/13/11
11005164	05/23/11	00004356	05/26/11	$ 11,226	000698	05/13/11
11005178	05/25/11	00004401	05/26/11	$ 12,378	000456	05/16/11
11005388	06/09/11	00004586	06/10/11	$ 49,703	000546	06/01/11
11005526	06/23/11	00004765	06/26/11	$ 26,456	000638	06/13/11
11005669	06/27/11	00004840	06/29/11	$ 15,917	000591	06/14/11
11005672	06/27/11	00004845	06/29/11	$ 22,040	000590	06/14/11
11005858	06/30/11	00004935	07/05/11	$ 10,000	000553	06/24/11
11005861	06/30/11	00004943	07/05/11	$ 13,926	000551	06/24/11
11005862	06/30/11	00004933	07/05/11	$ 15,817	000550	06/24/11
11005867	06/30/11	00004944	07/05/11	$ 5,361	000400	06/27/11
11005775	06/30/11	00004958	07/05/11	$ 18,980	000434	06/17/11

Head Start

In two (2) out of sixty (60) 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:

Petition Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11AP9333	6/21/10	690	8/23/2010	$ 1,050	51036443476591	6/30/10
11AP9334	8/18/10	689	8/23/2010	$ 1,100	51036443476591	6/30/10

Condition - continued

Child Care and Development Block Grant

In four (4) out of sixty (60) 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:

Petition Number	Voucher Date	Check No.	Check Date	Amount	Credit Notice Number	Credit Notice or Check Date
11010241	09/21/10	1096	09/30/10	$ 27,415	51036443781238	09/24/10
11010419	07/13/10	1354	10/13/10	$ 200	51036443837292	10/08/10
11010522	09/06/10	1389	10/14/10	$ 10,839	51036443837292	10/08/10
11010475	10/04/10	1880	10/14/10	$ 10,000	51036443837292	10/08/10

Effect

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

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

Questioned costs

Could not be determined

Recommendation

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

Recommendation - continued

- 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's 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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-06*
Finding Type:	*Federal Awards*
CFDA:	*14.850*
Federal Program:	*Public and Indian Housing*
Category:	*Internal Control – Significant Deficiency*
Compliance Requirement:	*Eligibility*
Administration:	*Administration for Families and Children*

Criteria

Section VI of the approved proposal by PRPHA establishes that PRDF will provide service to those elderly or handicapped people of a selected public housing projects that meet the following requirements:

a. Be a resident of a public housing project,

b. Elderly person (60 year of age or more) or handicapped adult (18 year of age or more), and

c. Need for service

d. PRDF will follow regulation number 91-22 of Household companions services of the PRDF, however, the total household income will not be a criteria for the determination of eligibility. No contributions will be required from the participants.

Condition

During our examination of audit requirements related to the eligibility procedures for the Public and Indian Housing program participants we noted that the PRDF did not maintain complete and current information about the participant.

In addition in one (1) of the forty (40) participants files selected for examination, PRDF did not maintain in the participants' files evidence about the medical certification of the disability. And in one (1) of the forty (40) participants files examined did not maintain copy of the identification of the participant.

Effect

Noncompliance with the aforementioned 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 that written policies and procedures be established outlining: a) responsibilities for determining the participants' eligibility; b) review periodically the participants' files to ascertain if such files include complete and current information. Personnel in charge of the participants' files should be aware of the importance of maintaining updated records; and c) proper monitoring or follow up procedures to ascertain participants' compliance with eligibility requirements.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-07*
Finding Type:	*Federal Awards*
CFDA:	*14.850, 93.569, 93.569ARRA, 93.667*
Federal Program:	*Public and Indian Housing Program, Community Service Block Grant, Social Service Block Grant*
Category:	*Internal Control – Material Weakness*
Compliance Requirement:	*Equipment and Real Property Management*
Administration:	*Administration for Family and Children*

Criteria

Page 7 of Procedures by Receipts and Management of Fixed Assets ("Procedimiento para el Recibo y Manejo de los Activos Fijos"), establish that the person in charge of property of the Puerto Rico Department of the Family has the responsibility to record all fixed assets received in the department agreed with your jurisdiction, he has to assign a number to each one and label all fixed assets received by your inventory department with a numerical system.

Section 92.32 (b) and (d) (1) of 45 CFR (b) establishes that "a State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property".

Condition

To examine compliance with equipment and real property management; we requested an updated property report from the personnel in charge with inventory information about property number, description, date of acquisition and disposal, cost, location and custodian to perform an observation test. However, such report was not available to perform our test. The property divisions of the Administration of Families and Children (ADFAN) do not maintain an effective equipment record system from which a current and complete subsidiary ledger can be prepared.

Effect

The PRDF is exposed to the risk of possible unauthorized use and disposition of property equipment due to lack of internal controls and adequate property and equipment records. The possible misappropriation of the equipment could be significant because the PRDF owns significant types and amounts of equipment. Also, the lack of adequate controls over property and equipment exposes the PRDF to cost disallowances.

Questioned costs

Could not be determined

Recommendation

We recommend the PRDF shall establish adequate controls and procedures to be followed by the Property Division. The new procedures implemented must address all the requirements established by state and federal regulations on property management.

Property records shall include the required information for equipment purchased with federal funds to improve accountability, control and detect possible loss or theft of property. All property records shall be thoroughly reviewed to make sure that all information included in them is accurate and pertinent.

Resources shall be allocated to the Property Division in order to implement a new system that would allow for the proper recording and safeguarding of assets. Personnel in charge of these tasks shall be adequately trained on all state and federal regulations related to the acquisition and management of property.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-08*
Finding Type:	*Federal Awards*
CFDA:	*14.850*
Federal Program:	*Public and Indian Housing*
Category:	*Internal Control – Material Weakness*
Compliance Requirement:	*Activities allowed or unallowed*
	Allowable costs / cost principles
	Procurement and suspension and debarment
Administration:	*Administration for Families and Children*

Criteria

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

Condition

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

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

Effect

Noncompliance with the aforementioned 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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-09*
Finding Type:	*Federal Awards*
CFDA:	*93.667*
Federal Program:	*Social Service Block Grant*
Category:	*Internal Control – Material Weakness*
Compliance Requirement:	*Activities allowed or unallowed, allowable costs/cost principles, period of availability of Federal Funds, procurement, suspension and debarment*
Administration:	*Administration for Families and Children*

Criteria

Section C (1) (j) of the OMB Circular A-87 "Factors affecting allowability of costs" establishes that to be allowable under Federal awards, costs must be adequately documented.

CFR 7, Part 3016 – Subpart C "Post-Award Requirements" – Section 3016.20 "Standards for financial management systems", and 45 CFR 92.20 (b) (2) establishes that:

(2) Accounting records. 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.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Section (b) (1)of CFR 7 3016.36 and 45 CFR 92.36 (b) establish that Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

Criteria - continued

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

Condition

Social Service Block Grant

To test compliance with procurement, suspension and debarment for the program Social Service Block Grant with CFDA number 93.667, from the selected sample of disbursement transactions we choose transaction that involved formal bids. During our test we noted that the contracts number 123-2011-000129 and 123-2008-000071 were not available to be examined.

Effects

Those conditions could result in the reimbursement of federal funds to the grantors for those disbursements not properly supported nor authorized by the corresponding grantors representatives. Also, the lack of review of contracts could result in noncompliance with federal regulations and cost disallowances by the grantors.

Questioned costs

Could not be determined

Recommendation

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

- Maintain adequate documentation to support the allowability of its expenditures. The PRDF shall improve its internal control over the filing and safeguarding of documents in order to provide them on time for the auditor's review.

Recommendation - continued

- Establish and implement written policies and procedures for all aspects of the programs, including controls for hold safeguard supporting documentation related to financial transactions.

- Provide adequate training to employees regarding each program requirements and proper disbursement processing procedures, and as to the importance of safeguarding procedures and the proper coordination and communication for the retrieval of documents when needed.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-10*
Finding Type:	*Financial Statement and Federal Awards*
CFDA:	*10.566, 10.566 ARRA*
Federal Program:	*Nutrition Assistance Program for Puerto Rico*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
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

The Financial Status Report (SF-269) of the Nutrition Assistance Program for Puerto Rico NAP 2011 and NAP 2011 ARRA, covering from October 1, 2011 to June 30, 2011 did not agree with the accounting records as follows:

Condition – continued

Grant No.	Expenditures per Report	Expenditures per Accounting Records	Difference
NAP2011	$ 1,144,629,353	$ 1,144,340,348	$ 289,005
NAP2011 ARRA	$ 254,217,000	$ 254,217,000	$ -

Effect

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

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

Questioned costs

Could not be determined

Recommendation

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

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

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

Management's Response

See Corrective Action Plan

Finding Number:	*2011-11*
Finding Type:	*Financial Statement and Federal Awards*
CFDA:	*10.568*
Federal Program:	*Emergency Food Assistance Program (Administrative Costs),*
Category:	*Internal Control – Material Weakness and Material Noncompliances*
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

The Report of the Emergency Food Assistance Program (TEFAP) Administrative Costs (OMB No. 0584-0293) for the grant awards No. TEFAP 2010, TEFAP 2011 and TEFAP 2010 ARRA did not agree with the accounting records for the fiscal year ended June 30, 2011 as follow:

Grant No.	Expenditures per Report	Expenditures per Accounting Records	Difference
TEFAP2010	$ 1,574,743	$ 1,356,727	$ 218,016
TEFAP2011	$ 1,701,512	$ 1,429,261	$ 272,251 [1]
TEFAP2010 ARRA	$ 1,397,847	$ 1,360,333	$ 37,514

[1] This amount was reduce to $3,815 at the end of the program year.

Effect

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

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

Questioned costs

Could not be determined

Recommendation

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

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

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

Management's Response

See Corrective Action Plan

Finding Number:	*2011-12*
Finding Type:	*Financial Statement and Federal Awards*
CFDA:	*14.257 ARRA*
Federal Program:	*Homelessness Prevention and Rapid Re-Housing Program*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*The Secretariat*

Criteria

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

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

Condition

Homelessness Prevention and Rapid Re-Housing Program (HPRP)

As part of our audit procedures, we selected and compared the Section 1512 ARRA Reporting submitted during the fiscal year with the accounting records. The reports selected were the preliminary report for the grant S09-DY-72-0001, (covering reporting period from July 24, 2009 through December 31, 2010).

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

Condition - continued

Grant No.	Expenditures as per Report (Section 1512 ARRA)	Expenditures as per Accounting Records	Difference
S09-DY-72-0001	$ 5,947,721.90	$ 5,462,782.65	$ 484,939.25

In addition, the report of the *Integrated Disbursement and Information System* (IDIS), (OMB No. 2506-0077), to be prepared during the period from 7/1/2010 to 6/30/2011 was not available to be examined.

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.

Recommendation - continued

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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-13*
Finding Type:	*Financial Statements and Federal Awards*
CFDA:	*93.563*
Federal Program:	*Child Support Enforcement*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*Administration for the Child Support Enforcement*

Criteria

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

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

Condition

SF-272, Federal Cash Transaction Report

We selected for examination, the quarterly Federal Cash Transaction Reports (for all quarters) for the fiscal year ended June 30, 2011, and noted that amounts reported in the Federal Cash Transaction Report did not agree to the accounting records, as follows:

	Cash Receipts	Expenditures
Amount per reports (SF-272)	$ 27,202,394	$ 28,495,801
Amount per accounting records	26,854,269	29,059,681
Difference	$ 348,125	$ (563,880)

Condition – continued

OCSE 396A, Child Support Enforcement Program Expenditure Report

We selected for examination, the OCSE 396A, Child Support Enforcement Program Expenditure Report for the fiscal year ended June 30, 2011, and noted that the expenditures reported did not agree with the accounting records and no reconciliation was submitted for our evaluation. The difference noted was as follows:

	June 30, 2011
Expenditures per reports (OCSE-396A)	$ 38,880,823
Expenditures per accounting records (PRIFAS)	41,250,568
Difference	$ (2,369,745)

Effect

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

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

Questioned costs

Could not be determined

Recommendation

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

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

Recommendation - continued

- ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities,

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

Management's Response:

See Corrective Action Plan

Finding Number:	*2011-14*
Finding Type:	*Financial Statements and Federal Awards*
CFDA:	*93.569, 93.569 ARRA*
Federal Program:	*Community Service Block Grant / ARRA*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*Administration for Family and 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 restrictions and prohibitions of applicable statutes.

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

Condition

Community Service Block Grant

As part of our audit procedures, we selected and compared three Financial Status Reports (SF-269) submitted during the fiscal year with the accounting records. The reports selected were the preliminary report for the grant G-10B1PRCOSR (covering reporting period from October 1, 2009 through September 30, 2010), final report for the grant G-09B1PRCOSR (covering reporting period from October 1, 2008 through September 30, 2010), and final report for the grant G-09B1PRCOSR2 (covering reporting period from October 1, 2008 through September 30, 2010).

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

Condition – continued

Grant No.	Expenditures as per Accounting Records	Expenditures as per Report (SF-269)	Difference
G-09B1PRCOSR	$29,402,422	$28,970,833	$431,589
G-09B1PRCOSR2	$42,117,188	$41,854,426	$262,762

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 determine

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

Recommendation - continued

- 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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-15*
Finding Type:	*Financial Statements and Federal Awards*
CFDA:	*93.600, 93.708 ARRA, 93.575, 93.713 ARRA*
Federal Program:	*Head Start /ARRA, Child Care and Development Block Grant /ARRA*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*Administration for the Integral Care and Development of the Children*

Criteria

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

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

Condition

Head Start and Child Care and Development Block Grant

To determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with the Head Start and Child Care and Development Block programs requirements, we selected for examination the Federal Cash Transaction Report SF-425 (for all four quarters). After such review, we noted that the cash receipts and the expenditures reported did not agree to the accounting records as follow:

Condition - continued

Description	Accounting Records	Report 425	Difference
Total Receipts	$ 202,708,518	$ 202,693,442	$ 15,076
Net Disbursements	$ 196,673,014	$ 195,318,625	$ 1,354,389

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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-16*
Finding Type:	*Financial Statement and Federal Awards*
CFDA:	*93.600*
Federal Program:	*Head Start*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*Administration for the Integral Care and Development of the Children*

Criteria

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

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

Condition

After review of the Financial Status Report (SF-269) of the Head Start program for the Award 02CH9944\07 for the program year ended February 28, 2011, we noted that the amounts reported as total federal share did not agree with the accounting records as follows:

Grant No.	Expenditures per Accounting records	Expenditures per Report (SF-269)	Difference
02CH944\07	$ 113,574,326	$ 121,651,319	$ (8,076,993)

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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-17*
Finding Type:	*Financial Statements and Federal Awards*
CFDA:	*93.575*
Federal Program:	*Child Care and Development Block Grant*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*Administration for the Integral Care and Development of the Children*

Criteria

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

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

Condition

As part of our audit procedures, we selected and compared four quarters of Financial Report (ACF-696) submitted during the fiscal year with the accounting records. The reports selected were the quarter reports for the grant G-1001PRCCDF (covering reporting period from July 1, 2010 through June 30, 2011) and the quarter reports for the grant G-1101PRCCDF (covering reporting period from July 1, 2010 through June 30, 2011):

Description	Accounting Records	Report ACF-696	Difference
G-1001PRCCDF	$ 18,411,661.58	$ 13,035,213.00	$ 5,376,448.58
G-1101PRCCDF	$ 43,861,657.04	$ 43,869,093.00	$ (7,435.96)

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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-18*
Finding Type:	*Financial Statements and Federal Awards*
CFDA:	*93.667*
Federal Program:	*Social Service Block Grant*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*Administration for Family and 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 restrictions and prohibitions of applicable statutes.

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

Condition

Social Service Block Grant

As part of our audit procedures, we selected and compared three Financial Status Reports (SF-269) submitted during the fiscal year with the accounting records. The reports selected were the preliminary report for the grant G-1001PRSOSR (covering reporting period from October 1, 2009 through September 30, 2010), final report for the grant G-0901PRSOSR (covering reporting period from October 1, 2008 through September 30, 2010), and preliminary report for the grant G-0901PRSOSR2 (covering reporting period from October 1, 2008 through September 30, 2010).

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

Condition - continued

Grant No.	Expenditures as per Accounting Records	Expenditures as per Report (SF-269)	Difference
G-0901PRSOSR2	$ 5,286,160	$ 5,679,895	$ (393,735)
G-0901PRSOSR	$ 10,927,972	$ 8,793,103	$ 2,134,869

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.

Recommendation - continued

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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-19*
Finding Type:	*Financial Statements and Federal Awards*
CFDA:	*93.713 ARRA*
Federal Program:	*Child Care and Development Block Grant (ARRA)*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Reporting*
Administration:	*Administration for the Integral Care and Development of the Children*

Criteria

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

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

Condition

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

Description	Accounting Records	Report 1512	Difference
Total Receipts	$ 32,333,890	$ 32,333,890	$ -
Net Disbursements	$ 32,366,175	$ 32,226,859	$ 139,316

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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-20*
Finding Type:	*Financial Statement and Federal Awards*
CFDA:	*93.558, 93.560*
Federal Program:	*Temporary Assistance for Needy Families, Family Support Payment to States – Assistance Payments*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
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.

Criteria - continued

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

- permit preparation of reports required by this part and the statutes authorizing the grant, and
- permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

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

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

Condition

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

SF-272, Federal Cash Transactions Reports

We selected for examination the quarterly Federal Cash Transaction Reports (for all quarters) for the fiscal year ended June 30, 2011, and noted the following exceptions:

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

Description	Accounting Records	Report (PSC-272)	Difference
Net Disbursements	$ 141,906,594	$ 140,812,503	$ 1,094,091 [1]

[1] Amounts reported represents actual expenditures of the regions. Accounting records are not adjusted for unused amounts at the region level.

Condition – continued

ACF-196-TR, Territorial Financial Reports

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

	Grant Award 2010	Grant Award 2011
Federal Share Expenditures (Per ACF-196 TR)	$ 23,116,919	$ 34,161,230
Accounting Records (PRIFAS)	22,116,002	34,270,636
Difference	$ 1,000,917	$ (109,406) [1]

[1] Amounts reported represents actual expenditures of the regions. Accounting records are not adjusted for unused amounts at the region level.

Effect

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

Questioned costs

Could not be determined

Recommendation

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

Recommendation - continued

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.

Management's Response

See Corrective Action Plan

Finding Number:	*2011-21*
Finding Type:	*Federal Awards*
CFDA:	*93.569. 93.569 ARRA*
Federal Program:	*Community Service Block Grant*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Sub-recipient Monitoring*
Administration:	*Administration for 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.

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.

Criteria - continued

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, 2011, funds totaling $39,473,061 were disbursed to 14 subrecipients under the Community Services Block Grant program (CSBG). We indentified deficiencies in the monitoring procedures for the CSBG program. As a result, there is an increased risk that noncompliance could occur at the subrecipient level and not be detected in a timely manner.

Federal requirements and the PRDF's monitoring plan specify that full on-site reviews for each eligible sub grantee will be conducted once every three years to monitor performance, administrative and financial management standards. However, our review of the 14 funded subrecipients identified that:

- The 14 subrecipients did not receive an on-site programmatic monitoring visit during the established three-year cycle. After year end, two programmatic monitoring were completed. However, these monitorings were not signed and there is no evidence as to whether the PRDF discussed the results of such monitorings with the subrecipient.
- Fiscal monitoring has not occurred for 14 subrecipients for the same period.

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

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

Effect

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

Questioned costs

Could not be determined

Recommendation

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

The PRDF should:

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

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

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

Management's Response

See Corrective Action Plan

Finding Number:	*2011-22*
Finding Type:	*Federal Awards*
CFDA:	*93.563*
Federal Program:	*Child Support Enforcement*
Category:	*Internal Control – Material Weakness and Material Noncompliance*
Compliance Requirement:	*Eligibility and Special Test and Provisions*
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.

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

Criteria - continued

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.

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.

Criteria - continued

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 sixty (60) participants for testing. After performing the eligibility and special provisions tests for such files, we noted that the PRDF did not maintain in the participants' files the documents and information necessary to corroborate that program participants were eligible to receive such services. The following instances of non-compliance were noted:

- Twelve (12) of the sixty (60) 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: a) establishment of paternity and support obligation; b) enforcement of support obligations; c) securing and enforcing medical support obligations; and/or d) provision of child support services for interstate cases, as applicable.

Eligibility

- In one (1) of the forty-eight (48) cases tested (2%), the service registration form (Form ASM 160) was not available for examination. Also in one (1) of the forty-eight (48) cases tested (2%) the service registration form (Form ASM 160) was field incomplete.

- In two (2) of the forty-eight (48) cases tested (4%), 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.

Condition - continued

- In seventeen (17) of the forty-eight (48) cases tested (35%), 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 twenty (20) of the forty-eight (48) cases tested (42%), the evidence of the social security number of the custodial parent and the minor was not available for examination.

Establishment of paternity and support obligation

- In five (5) of the twenty (20) cases selected for testing (25%) 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.

- In two (2) of the twenty (20) cases selected for testing (10%) the agency could not provide paternity and support obligation within the required time frames.

Interstate cases

- In two (2) of the twelve (12) initiating interstate cases selected for testing (17%), there was no evidence to support that the enforcement services were provided within the required time frame.

- For the twelve (12) initiating interstate cases results that did not provide the required information to the responding State within the required time frames.

- In one (1) of the eight (8) responding interstate cases selected for testing (13%), there was no evidence to support that the required information was provided to the responding State within the required time frame to provide such information.

Enforcement of support obligation

- In three (3) of the twenty (20) cases tested (15%) there was no evidence as to whether the enforcement action was initiated on a timely basis.

- In one (1) of the twenty (20) cases tested (5%) there was no evidence that the State IV-D agency monitored the order to support obligation.

Condition - continued

Securing and enforcing medical support

- In ten (10) of the forty (40) cases selected for testing (25%), 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 five (5) cases out of the forty (40) cases tested (13%), for which there was no evidence as to whether the PRDF ascertained if the custodial parent had a satisfactory health insurance other than Medicaid; neither 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.

Management's Response

See Corrective Action Plan

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS 2010

Reference Number:	2010-01
CDFA:	All Federal Programs
Federal Program:	All Federal Programs
Administrations:	The Secretariat, Administration for the Child Support Enforcement, Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for Children and Families
Audit Finding:	Special Test and Provision
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-01 and related corrective action plan.

Reference Number:	2010-02
CDFA:	All Federal Programs
Federal Programs:	All Federal Programs
Administrations:	The Secretariat, Administration for the Child Support Enforcement, Administration for the Socioeconomic Development, Administration for the Integral Care and Development of the Children, Administration for Children and Families
Audit Finding:	Special Test and Provision
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains uncorrected. Refer to finding 2011-02 and related corrective action plan.

Reference Number:	2010-03
CDFA:	10.568, 10.568 ARRA, 96.001
Federal Programs:	Emergency Food Assistance Program, Social Security-Disability Insurance
Administrations:	Administration for the Socioeconomic Development, Administration for Children and Families, The Secretariat
Audit Finding:	Cash Management
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains uncorrected. Refer to finding 2011-04 and 2011-05 and related corrective action plan.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS 2010

Reference Number:	2010-04
CDFA:	14.850
Federal Programs:	Public and Indian Housing
Administrations:	Administration for Children and Families
Audit Finding:	Eligibility
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-06 and related corrective action plan.

Reference Number:	2010-05
CDFA:	93.563
Federal Programs:	Child Support Enforcement
Administrations:	Administration for the Child Support Enforcement
Audit Finding:	Matching Level of Effort and Earmarking
Questioned Cost:	$1,560,386
Status of Corrective Action Plan:	Corrected

Reference Number:	2010-06
CDFA:	93.569
Federal Programs:	Community Services Block Grant
Administration:	Administration for Children and Families
Audit Finding:	Matching Level of Effort and Earmarking
Questioned Cost:	Could not be determined
Status of Corrective Action:	Corrected.

Reference Number:	2010-07
CDFA:	14.850
Federal Programs:	Public and Indian Housing
Administrations:	Administration for the Families and Children
Audit Finding:	Activities allowed or unallowed, Allowable costs/cost principles, Matching, Level of Effort, Earmarking, Procurement and Suspension and Debarment
Questioned Cost:	Could not be determined
Status of Corrective Action:	Remains uncorrected. Refer to finding 2011-08 and related corrective action plan.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS 2010

Reference Number:	2010-08
CDFA:	93.667
Federal Programs:	Social Services Block Grant
Administrations:	Administration for Children and Families
Audit Finding:	Period of Availability
Questioned Cost:	Not applicable
Status of Corrective Action Plan:	Corrected

Reference Number:	2010-09
CDFA:	93.667
Federal Program:	Social Services Block Grant
Administration:	Administration for Children and Families
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-18 and related corrective action plan.

Reference Number:	2010-10
CDFA:	93.563
Federal Program:	Child Support Enforcement
Administration:	Administration for the Child Support Enforcement
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-13 and related corrective action plan.

Reference Number:	2010-11
CDFA:	93.569
Federal Program:	Community Services Block Grant
Administration:	Administration for Children and Families
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains uncorrected. Refer to finding 2011-14 and related corrective action plan.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS 2010

Reference Number:	2010-12
CDFA:	93.600, 93.575, 93.708 ARRA, 93.713ARRA
Federal Program:	Head Start, Child Care and Development Block Grant
Administration:	Administration for the Integral Care and Development of the Children
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-15 and related corrective action plan.

Reference Number:	2010-13
CDFA:	93.600
Federal Programs:	Head Start
Administration:	Administration for the Integral Care and Development of the Children
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains uncorrected. Refer to finding 2011-16 and related corrective action plan.

Reference Number:	2010-14
CDFA:	93.713
Federal Programs:	Child Care and Development Block Grant (ARRA)
Administration:	Administration for the Integral Care and Development of the Children
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains uncorrected. Refer to finding 2011-19 and related corrective action plan.

Reference Number:	2010-15
CDFA:	93.708
Federal Programs:	Head Start (ARRA)
Administration:	Administration for the Integral Care and Development of the Children
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Corrected

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS 2010

Reference Number:	2010-16
CDFA:	10.566, 10.566 (ARRA)
Federal Programs:	Nutrition Assistance Program for Puerto Rico
Administration:	Administration for the Socioeconomic Development
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains uncorrected. Refer to finding 2011-10 and related corrective action plan.

Reference Number:	2010-17
CDFA:	10.568
Federal Programs:	Emergency Food Assistance Program (Administrative Costs)
Administrations:	Administration for the Socioeconomic Development
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-11 and related corrective action plan.

Reference Number:	2010-18
CDFA:	96.001
Federal Programs:	Social Security-Disability Insurances
Administration:	The Secretariat
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Corrected

Reference Number:	2010-19
CDFA:	93.558, 93.560
Federal Programs:	Temporary Assistance for Needy Families, Family Support Payment to States-Assistance Payments
Administrations:	Administration for the Socioeconomic Development
Audit Finding:	Reporting
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains uncorrected. Refer to finding 2011-20 and related corrective action plan.

COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE FAMILY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS 2010

Reference Number:	2010-20
CDFA:	10.569, 10.569 ARRA
Federal Programs:	Emergency Food Assistance Program (Commodities)
Administrations:	Administration for the Socioeconomic Development
Audit Finding:	Reporting, Special Test and Provisions
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Corrected.

Reference Number:	2010-21
CDFA:	93.569, 93.569 ARRA
Federal Programs:	Community Services Block Grant
Administration:	Administration for Children and Families
Audit Finding:	Sub-recipients Monitoring
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-21 and related corrective action plan.

Reference Number:	2010-22
CDFA:	93.563
Federal Programs:	Child Support Enforcement
Administrations:	Administration for the Child Support Enforcement
Audit Finding:	Eligibility and Special Test and Provisions
Questioned Cost:	Could not be determined
Status of Corrective Action Plan:	Remains Uncorrected. Refer to finding 2011-22 and related corrective action plan.

CORRECTIVE ACTION PLAN

Commonwealth of PR, Department of the Family
Secretary
Corrective Action Plan – CAP
Due Date: March 2012

Ref. Commonwealth of PR, Department of the Family - Single Audit Report – Fiscal Year ended 6/30/2011

Audit Period: 07-01-2010 to 06-30-2011

Audit Findings related to: Department of the Family

Secretary / Administrator Name: Yanitsia Irizarry Méndez

Federal Program and/or Division Tested: All Mayor Programs Audited

Program / Division Director: Mrs./ Mr.

Coordinators from D.F. Mrs./ Mr.

Coordinator from Program / Division: Mrs./Mr.

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-01 Financial Statement and Federal Awards All Federal Programs Compliance/Internal Control Special Test And Provisions 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	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.	ADFAN and Secretariat Response: In this year we 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 system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. An external company with specific expertise in MIP will be contracted by January 2012 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. The system will be effective on July 1, 2012.	Julie 2011	December 2012	Angel Figueroa Assistant Secretary		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
Cont	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. Questioned Costs: Could not be determined	ASUME: Actually we are in the procedure of establish our internal control through a "Handbook of fiscal standard procedures" that surely enhances our accounting and financial reporting practices. Also we implemented an accounting system that permits the preparation of financial reports required by federal and state agencies. Right now the personnel are taken training for system to comply with this requirement. Although ACUDEN has written procedures for cash management, we will strengthen and be more precise in those procedures. 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 by Delegate Agencies. The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. An external company with specific expertise in MIP was contracted to assist us and finished the process with the delegate agencies. Training and technical assistance was given to all the delegates to ensure domain and complete understanding of the system. A recent evaluation on March 2012 by federal reviewers to the Head Start program validated adequate use of the system.	September 2011 December 2011	April 2012 February 2012	Mauricio Diaz Jose Rolon Finance Director		X 	 X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
Cont.		ADSEF RESPONSE: ADSEF- do not accept this finding **Accounting:** At the Agency level there are accounting procedures established to ascertain that all expenses and revenue items are dully recorded in PRIFAS. We understand that given the limits provided by PRIFAS, the existing chart of accounts is sufficient to provide for identification of expenditures and revenues by each individual program. Furthermore, ADSEF currently track all disbursements by program in the internal budgeting system called SACPre. The accounts of ADSEF are organized in two fund types: (1) General Fund, to account for the funds appropriated by the Legislature of PR; and the (2) Special Revenue Funds, to accounts for federal financial assistance programs funded by the Federal Government. **Financial Reporting Entity:** The financial reporting entity is at the Commonwealth of PR level. The basic financial statements of the Commonwealth of PR, include all departments, agencies (including the Department of the Family and/or ADSEF), and governmental entities whose funds are under the custody and control of the Secretary of the Treasury of the Commonwealth and the Commonwealth's component units pursuant to Act No. 230 of July 23, 1974, as amended, known as Commonwealth of Puerto Rico Accounting Law. These financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) for governments in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Accordingly, they present the financial position of the Commonwealth and its various funds, the results of operations of the Commonwealth and its various funds and fund types, and the cash flows, when applicable. Accordingly, ADSEF comply with the requirements included on 45 CFR 92.20, 7 CFR 3016.20 and 20 CFR 437.2, as follows:	February 2012	February 2012	CPA Carlos Gómez Cruz			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
Cont,		1. There are a self-balancing set of accounts for each fund to record the accounting entries, at the Agency level. Also, there are a self-balancing set of accounts for each fund to record the financial resources, related liabilities, residual equities or balances, and any related changes there-in, at the Commonwealth level. 2. The Agency has cut-off procedures at year end. 3. The Agency has an appropriate budgeting control between grants award distribution and programmatic activities allocations. Note: It should be understood that ADSEF is subject to the requirements of the U.S. Office of Management and Budget Circular A-133, and as a result, is audited for compliance with the requirements of the federal financial assistance programs through a Single Audit, like this.						

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
2011-02 Financial Statement and Federal Awards All Federal Programs Compliance/Internal Control Special Test And Provisions The Secretarial, Administration for Families and Children, Administration for the Child Support Enforcement	We recommended that the Department of the Family implement procedures and controls to ensure that time and effort certifications are obligated from the employees on at least a semi-annual basis, stating the percentage of time worked in a specific program during the program covered by the certification. Questioned Costs: Could not be determined	ADFAN and Secretariat Response: We still working with a plan to comply with the requirement. We were verify the file) of the employee's to verify those employees which earns 100% federal funds so we could fill the form created for this purposes. ASUME: The Agency established adequate procedures and controls to maintain proper documentation to support the allow ability of its expenditures, Improvement in internal controls over the filing and safeguarding of documents has been made in order to easily identify and retrieve supporting documentations. The Agency had implemented controls for proper review and authorization during the regarding program requirements and proper disbursement processing procedures. A review of Cost Principles (OMB Circular A-87) has been part of this effort. Secretariat is pending to draft a standard certification to be used for all federal programs under its umbrella. These certifications will be used for this Agency to certify that cost allocations are implemented, specifically about time dedicated to a federal program.	July 2011 July 2011	June 2012 June 2012	Ms. Maria Luisa Torres Assistant Secretary Mr. Fernado Cogley Mrs. Anny Morel Mr. Mauricio Diaz		X X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-03 Financial Statements and Federal Awards CFDA: 14.850 Public and Indian Housing Compliance/ Internal Controls Activities allowed or unallowed, allowable costs/cost principles Administration for Families and Children	We recommend the PRDF to establish adequate procedures and controls, which shall consider, among others, the following: a.)Maintain adequate documentation to support the allow ability of its expenditures. The PRDF shall improve its interval control over the filing and safeguarding of documents in order to provide them on time for the auditor's review. b.)Establish and implement written policies and procedures for all aspects of the programs, including controls for hold safeguard supporting documentation related to financial transactions. c.)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.	ADFAN response: The documents in Finance Area are signed and authorized. The originals are sent to Public Housing. We are going to establish and implement a new procedure to send a copy of this documents that are signed and authorized to the Program, so both of us have the same documents.	March 2012		Angel Figueroa Assistant Secretary David Gomez Acting Finance Director		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-04 Federal Awards CFDA: 93.569, 93.575, 93.600, 93.667 Community Services Block Grant, Child Care and Development Block Grant, Head Start, Social Services Block Grant Internal Control-Material Weakness Cash Management Administration for Families and Children, Administration for the Integral Care and Development of the Children	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 represents 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. c) Provide adequate training to employees regarding each program is 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.	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. ADFAN response: We are going to establish an internal control that safeguards the documents in order that identify the petition of funds and the related supporting documentation. We are going to give an adequate training to our employees. And in this year we 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. This system enables to keep well organized all the supporting documents needs for any auditor. An external company with specific expertise in MIP will be contracted by January 2012 to assist us and finished the process. Training and technical assistance will be given to all the employees to ensure Domain and complete understanding of the system. The system will be effective on July 1, 2012.	December 2011 March 2012	June 2012	Jose Rolon Finance Director Angel Figueroa Assistant Secretary David Gomez Acting Finance Director		X X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-05 Federal Awards CFDA:10.568, 10.568 ARRA, 14.257 ARRA, 93.708 ARRA, 93.713 ARRA Emergency Food Assistance Program (Administrative Costs), Homelessness Prevention and Rapid Re-Housing, Head Start (ARRA), Child Care and Development Block Grant (ARRA) Compliance/Internal Control Cash Management The Secretariat, Administration for Families and Children, Administration for the Socioeconomic Development	We recommend the PRDF to establish adequate procedures and controls, which shall consider, among others, the following: Establish and implement written policies and procedures for all aspects of the programs, including controls for proper review and authorization during the processing of federal funds draw downs. Petition documents and its related supporting documentation shall be thoroughly reviewed before they are recorded and processed for refund. All fund petitions shall be properly authorized by the respective PRDF's representatives and shall be supported with all the required documentation. Provide adequate training to employees regarding each program's 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 documents when needed.	ADSEF RESPONSE: **ADSEF**- accept this finding During 2011, ADSEF started negotiations with The Treasury Department of Puerto Rico (TDPR), in order to delegate in ADSEF the whole disbursement and/or authorization process. The only step left at the TDPR level, would be the check emission to the corresponding vendor. Based on the proposed new procedures, ADSEF believes that the time elapsing between the transfer of funds from the US Treasury and the corresponding payment to vendor, will be significantly reduced to not more than three business days. Secretariat and ADFAN 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.	July 2011 July 2011	 June 2012	CPA Carlos Gómez Cruz Angel Figueroa Assistant Secretary Maria Molina Acting Finance Director		X X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-06 Federal Awards CFDA: 14.850 Public and Indian Housing, Compliance/Internal Control Eligibility Administration for Families and Children	We recommend that written policies and procedures be establish outlining: a) Responsibilities for determination the participants eligibility; review periodically the participants files to ascertain if such files includes complete and current information. Personnel in Charge of the participant's files should be aware of the importance of maintaining updated records; and proper monitoring or follow up procedures to ascertain participant's compliance with eligibility requirements.	ADFAN response: We are going to create a Document control system that contains a check list of all the documents that are necessary in the files of the participant's. We are going to give training of this new procedure to the employees. This document would be in each file and have to be signed by the employee that verifies this documentation. This will help us to maintain a control of each file.	March 2012		Angel Figueroa Assistant Secretary		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
2011-07 CFDA:14.850, 93.569, 93569 ARRA, 93.667 Public and Indian Housing Program, Community Services Block Grant, Social Services Block Grant, Internal Controls- Material Weakness Equipment and Real Property Management Administration for Families and Children	We recommend the PRDF shall establish adequate controls and procedures to be followed by the Property Division. The new procedures implemented must address all the requirements establish by state and federal regulation on property management. Property records shall include the required information for equipment purchased with federal funds to improve accountability, control and detect possible loss or theft of property. All property records shall be thoroughly reviewed to make sure that all information included in them is accurate and pertinent. Resources shall be allocated to the Property Division in order to implement a new system that would allow for the proper recording and safeguarding of assets. Personnel in charges of these tasks shall be adequately trained on all state and federal regulations related to the acquisition and management of property.	ADFAN response: We are going to give instructions to the employees of Property where they have to establish an internal control were they describe the property that is under ADFAN. We are going to monitoring that these instructions given will start immediately.	March 2012		Angel Figueroa Assistant Secretary		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
2011-08 Federal Awards CFDA: 14.850 Public and Indian Housing Internal Controls-Material Weakness Activities allowed or unallowed Allowable costs/ Cost principles Procurement and suspension and debarment Families and Children Administration	We recommend the PRDF to expand the chart of account to provide for identification of the amount of funds that the PRDF expended for each program separately. The expansion of the chart of account 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 prohibition 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	ADFAN response: We will start a communication with Public Housing so they provide us the Grant Award. This will help us in create an account in PRIFAS for these expenditures.	March 2012		Angel Figueroa Assistant Secretary David Gomez Acting Finance Director		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-09 Federal Awards CFDA: 93.667 Social Services Block Grant Internal Controls Activities allowed or unallowed, allowable costs/cost principles, period of availability of Federal Funds, procurement, suspension and debarment Administration for Families and Children	We recommend the PRDF to establish adequate procedures and controls, which shall consider, among others, the following: 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 represents 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. 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 is 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.	ADFAN response: This transaction doesn't need contracts because this transaction is by auctions with ASG. So the files of this payments in ASG.	March 2012		Angel Figueroa Assistant Secretary		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
2011-10 Financial Statement and Federal Awards CFDA: 10.566, 10.566 ARRA Nutrition Assistance Program for Puerto Rico Compliance/Internal Controls Reporting Administration for the Socioeconomic Development	We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to: →Prepare the financial reports accurately and within their required due dates; →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 reports accurate information on a timely manner	ADSEF RESPONSE: **ADSEF**- accept this finding The difference between the amount as per the Financial Status Report (SF-269) of $1,144,629,353 and the amount as per the Accounting Records of $1,144,340,348 amounted to $289,005, or .0002% of the total Grant Amount. This situation is due to timing differences between the closing period of the Puerto Rico fiscal year and the U.S. fiscal year, including possible delays by the P.R. Treasury Department in recording certain transactions in PRIFAS. ADSEF is in the process of enhancing its internal budgeting system to create federal reports automatically.	February 2012		CPA Carlos Gómez Cruz		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
2011-11 Financial Statement and Federal Awards CFDA: 10.568 Emergency Food Assistance Program (Administrative Cost) Internal Controls-Material Weakness and Material Noncompliance Reporting Administration for the Socioeconomic Development	We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to: →Prepare the financial reports accurately and; →Ensure the maintenance of accounting records which adequately identify the source and application of funds provided for financially-assisted activities. In additions, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner	ADSEF RESPONSE: This situation is due to timing differences between the closing period of the Puerto Rico fiscal year and the U.S. fiscal year, including possible delays by the P.R. Treasury Department in recording certain transactions in PRIFAS. ADSEF is in the process of enhancing its internal budgeting system to create federal reports automatically.	February 2012		CPA Carlos Gómez Cruz		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
2011-12 Financial Statement and Federal Awards CFDA:14.257 ARRA Homelessness Prevention and Rapid Re-Housing Program Internal Controls-Material Weakness and Material Noncompliance Reporting The Secretariat	We recommend the PRDF to develop and implement a formal policies and procedures manual to prescribe uniform procedures on the frequency and format of reporting grant expenditures so that the record keeping system provides the information necessary to: →Prepare the financial reports accurately and 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 additions, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner	Secretariat response: These differences in transactions amounts represent transactions which were in transit. PRDF will perform monthly reconciliation in order to avoid differences in expenditures records and expenditures reports.	December 2011	June 2012	Angel Figueroa Assitant Secretary			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
2011-13 Financial Statement and Federal Awards CFDA: 93.563 Child Support Enforcement Internal Controls-Material Weakness and Material Noncompliance Reporting Administration for the Child Support Enforcement	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).	ASUME: We are in the process of creating a Manual of standard procedures for all fiscal divisions. The new system will help us to prepare the financial reports, as these finding requirements.	September 2011	June 2012	Mauricio Diaz		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
2011-14 Financial Statement and Federal Awards CDFA: 93.569, 93569 ARRA Community Services Block Grant/ ARRA Internal Controls-Material Weakness and Material Noncompliance Reporting Administration for Family and Children	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 additions, we recommend the monthly reconciliation of the internal accounting records used to prepare the Federal Financial Reports with those of the Puerto Rico Treasury Department (PRIFAS) to ensure the correct accounting of transactions and reports accurate information on a timely manner	ADFAN response: The ADFAN accounting information is obtained through the PRIFAS system. We have the expenditures in the PRIFAS system that agrees with the SFR-269. Effective July 1, 2012 ADFAN will installed a mechanized application of budget control and financial transaction's register (MIP) for federal and states funds administered by the Agency. It will facilitate the reporting compliance with the federal government. This system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. The external company starts to give training to all the employees that will have access to this application.	March 2012		Angel Figueroa Assistant Secretary		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
2011-15 Financial Statement and Federal Awards CFDA: 93.600, 93.708 ARRA, 93.575, 93.713 ARRA Head Start/ARRA, Child Care and Developments Block Grant/ARRA Internal Control-Material Weakness and Material Noncompliance Reporting Administration for the Integral Care and Development of the Children	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 requirement 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 reports accurate information on a timely manner.	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 by Delegate Agencies. The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. An external company with specific expertise in MIP was contracted. Training and technical assistance has been given to all the delegates to ensure domain and complete understanding of the system. A recent evaluation on March 2012 by federal reviewers to the Head Start program validated adequate use of the system.	December 2011	March 2012	Jose Rolon Finance Director			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-16 Financial Statement and Federal Awards CFDA: 93.600 Head Start Compliance/Internal Controls Reporting Administration for the Integral care and Development of the Children	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 requirement 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 reports accurate information on a timely manner.	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 by Delegate Agencies. The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. An external company with specific expertise in MIP was contracted. Training and technical assistance has been given to all the delegates to ensure domain and complete understanding of the system. A recent evaluation on March 2012 by federal reviewers to the Head Start program validated adequate use of the system.	December 2011	March 2012	Jose Rolon Finance Director		X	

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-17 Financial Statement and Federal Awards CFDA: 93.575 Child Care and Development Block Grant Internal Controls-Material Weakness and Material Noncompliance Reporting Administration for the Integral Care and Development of the Children	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 date; →Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirement 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 reports accurate information on a timely manner.	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 by Delegate Agencies. The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. An external company with specific expertise in MIP was contracted. Training and technical assistance has been given to all the delegates to ensure domain and complete understanding of the system. A recent evaluation on March 2012 by federal reviewers to the Head Start program validated adequate use of the system.	December 2011	March 2012	Jose Rolon Finance Director			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-18 Financial Statement and Federal Awards CFDA: 93.667 Social Services Block Grant Internal Controls-Material Weakness and Material Noncompliance Reporting Administration for Family and Children	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 date; →Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirement 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 reports accurate information on a timely manner. Questioned Costs: Could not be determined	ADFAN response: We installed a mechanized application of budget control and financial transaction's register (MIP) for federal and states funds administered by the Agency. This application is effective on July 1, 2012. It will facilitate the reporting compliance with the federal government. This system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. An external company with specific expertise in MIP was contracted. They already start giving training and technical assistance to all the employees to ensure domain and complete understanding of the system.	March 2012		Angel Figueroa Assistant Secretary		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
2011-19 Financial Statement and Federal Awards CFDA: 93.713 ARRA Child Care and Development Block Grant (ARRA) Internal Controls- Material Weakness and Material Noncompliance Reporting Administration for the Integral Care and Development of the Children	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 date; →Provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirement 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 reports accurate information on a timely manner. Questioned Costs: Could not be determined	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 by Delegate Agencies. The system provides accurate and complete financial and budgetary results needed to prepare the federal reports in a timely matter. An external company with specific expertise in MIP was contracted. Training and technical assistance has been given to all the delegates to ensure domain and complete understanding of the system. A recent evaluation on March 2012 by federal reviewers to the Head Start program validated adequate use of the system.	December 2011	March 2012	Jose Rolon Finance Director			X

Finding Number, Topic Sentence and Program reference:	Recommendations / Total question costs:	Corrective Action taken:	Assign Date	Due Date for completion per finding	Employee / Department Responsible for implementation:	Status corrective actions (CAP)		
						Pending	Partial Complete	Completed
2011-20 Financial Statement and Federal Awards CFDA: 93.558, 93.560 Temporary Assistance for Needy Families, Family Support Payment to State-Assistance Payments Internal Controls-Material Weakness and Material Noncompliance Reporting Administration for the Socioeconomic Development	We recommend the PRDF to develop and implement a formal policies and procedures manual that prescribe uniform procedures on the frequency, format and content of each report so that the record keeping systems provides the information necessary to prepare the Federal reports accurately and within their required due dates. Also, we recommend the preparation of 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 transaction and report accurate information on timely manner.	ADSEF RESPONSE: This situation is due to timing differences between the closing period of the Puerto Rico fiscal year and the U.S. fiscal year, including possible delays by the P.R. Treasury Department in recording certain transactions in PRIFAS. ADSEF is in the process of enhancing its internal budgeting system to create federal reports automatically.	February 2012		CPA Carlos Gómez Cruz		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
2011-21 Federal Awards CFDA: 93.569, 93.569 ARRA Community Services Block Grant Internal Controls-Material Weakness and Material Noncompliance Sub-recipient Monitoring Administration for Families and Children	When funds are advanced, the PRDF must have procedures to minimize the time elapsing between the transfer of funds to the sub recipient and disbursement. When advance payment procedure is used, the PRDF must review and concur with the sub recipients established procedures. The PRDF Should: →Determine if cash advances or drawdown's are only for amounts necessary for immediate cash needs. →Determine if excess cash for the immediate needs of the program does not accumulate beyond the immediate needs of the program. We recommend the PRDF to use the following guidelines to timely monitor the subrecipients compliance with federal programs requirements →Perform site visits to sub recipients to review financial and programmatic records, observe operation, establish regular contacts with subrecipients, and make appropriate inquiries concerning the federal program.	ADFAN response: During this year we have a contract with Cobian, CPA. They start doing monitoring to the eligible's entities. We are going to include these (14) subrecipients to receive a programmatic monitoring visit. We also going to discussed this monitoring with the subrecipient.			Angel Figueroa Assistant Secretary		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
2011-22 Federal Awards CFDA: 93.563 Child Support Enforcement Internal Control-Material Weakness and Material Noncompliance Eligibility and Special Test and Provision Administration for the Child Support Enforcement	We recommend the PRDF to perform a review of the participant's files that 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 establish outlining: a) responsibilities for determining the participants eligibility; b)document to be included in the participants files and c) proper monitoring or follow up procedures to ascertain compliance with eligibility requirements.	ASUME: ASUME is in the process of digitalizing all our case files, therefore some files were not available for the audit when auditors request them. In the previous phase all files were revise to validate that they have all requested documents, discard duplicates and consolidate files and update information in PRACSES. This action and the continuous file monitoring will help in preventing this finding. The Agency is working in the development of a Case worker Supervision Guide, to give uniform guidelines in the handling of the cases. PRACSES is being updated, case tickler screen is under revision to make it more users friendly and help on line section was also revised. These initiatives will positively impact in the handling of the child support cases.	October 2011	April 2012	Carmen Santos Leon Jose Falero		X	