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Puerto Rico Environmental Quality Board

Single Audit Package

June 30, 2015

(With Independent Auditors' Report Thereon)

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

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Independent Auditors' Report

To the Executive Director of the Puerto Rico
Environmental Quality Board
San Juan, Puerto Rico

Report on the Financial Statements

We have audited the accompanying Statement of Cash Receipts and Disbursements- Governmental Funds (the Statement) of the **Puerto Rico Environmental Quality Board ("the Board")** for the fiscal year ended June 30, 2015, and the related notes to the Statement, which collectively comprise the Board's cash basis financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this Statement in accordance with cash basis of accounting described in Note 2. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the Statement referred to above present fairly, in all material respects, in conformity with the basis of accounting described in Note 2, the cash receipts and disbursements of the Board's governmental funds for the year ended June 30, 2015.

Basis of Accounting

We draw attention to Note 2 of the Statement that describes the basis of accounting. The Statement was prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 1, the financial statement of the Board is intended to present the cash receipts and disbursements of the governmental funds of only that portion of the financial reporting entity of the Commonwealth of Puerto Rico that is attributable to the transactions of the Board. They do not purport to, and do not present the financial position of the Commonwealth of Puerto Rico as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Statement of Cash Receipts and Disbursements-Governmental Funds. 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except as discussed in the following paragraph, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Board reports the program expenditures on the Schedule of expenditures of federal awards on the period when the reimbursement request is made to the federal agencies rather than when the expenditure is incurred due to the backlog in federal financial assistance reimbursements requests that arose from the additional special conditions imposed by the U.S. Environmental Protection Agency due to the high-risk grantee designation the Board had since 2001 through May 2014. During the year ended June 30, 2015, of the approximately \$78.5 million in expenditures in the schedule of expenditures of federal awards approximately \$11.7 million of those expenditures were incurred in prior years. As a result, there are federal award expenditures incurred during current and prior years that have not been reported in the schedule of expenditures of federal awards for the fiscal year ended June 30, 2015 since the reimbursement request have not been made as of June 30, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

LLM & D, PSC

San Juan, PR
March 21, 2016

License No. 90
Expiration Date: December 1, 2016

Stamp No. E191238 of Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

| | General Fund | Special Revenue Fund | Federal Grants Fund | Puerto Rico Water Pollution Control Revolving Fund | Total Governmental Funds |
|---|-------------------------|-------------------------------------|------------------------------------|---|---|
| CASH RECEIPTS: | | | | | |
| Appropriations from the Commonwealth of Puerto Rico | \$ 7,415,655 | \$ - | \$ - | \$ - | \$ 7,415,655 |
| Licenses and Fees | - | 8,681,812 | - | - | 8,681,812 |
| Federal Grants | - | - | 9,873,747 | 68,166,864 | 78,040,611 |
| Fines and Penalties | - | 489,583 | - | - | 489,583 |
| Total Cash Receipts | 7,415,655 | 9,171,395 | 9,873,747 | 68,166,864 | 94,627,661 |
| CASH DISBURSEMENTS: | | | | | |
| Air Quality Improvement | 22,400 | - | - | - | 22,400 |
| Analysis of Environmental Tests | 512,715 | - | - | - | 512,715 |
| Clean Air Act Project | - | 1,428,828 | 512,584 | - | 1,941,412 |
| Emergency Response and Superfund Project | - | 866,158 | 582,719 | - | 1,448,877 |
| Environmental Emergencies | - | 5,301,571 | - | - | 5,301,571 |
| General Administration and Direction | 6,947,792 | - | - | - | 6,947,792 |
| Land Pollution Control | 150,739 | - | 652,663 | - | 803,402 |
| Pneumatic and Recycling Program | - | 6,253,621 | - | - | 6,253,621 |
| Oil Control | - | 2,746 | - | - | 2,746 |
| Pollution Control | 419,877 | - | - | - | 419,877 |
| Regional Services | 1,531,362 | - | - | - | 1,531,362 |
| Studies for Requests of Tax Exemption | 49,952 | - | - | - | 49,952 |
| Water Quality Improvement | 59,116 | - | 3,294,683 | - | 3,353,799 |
| Capitalization Grants for Clean Water State Revolving Fund | 131,866 | - | - | 66,290,221 | 66,422,087 |
| Total Cash Disbursements | 9,825,819 | 13,852,924 | 5,042,649 | 66,290,221 | 95,011,613 |
| NET CHANGES | (2,410,164) | (4,681,529) | 4,831,098 | 1,876,643 | (383,952) |

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

1. ORGANIZATION AND REPORTING ENTITY

The Commonwealth of Puerto Rico Environmental Quality Board (the Board) was established under Act 416 of September 22, 2004, as amended. The Board is responsible for the protection and conservation of the environment in the Commonwealth of Puerto Rico. The Commonwealth of Puerto Rico was constituted on July 25, 1952, under provisions of its Constitution as approved by the people of Puerto Rico and the Congress of the United States of America. The Commonwealth's Constitution provides for the separation of powers of the executive, legislative and judicial branches of the Commonwealth. The Commonwealth assumes responsibility for public safety, public health, public housing, welfare, education, and economic development.

For financial reporting purposes, the Board is part of the Commonwealth of Puerto Rico. Because the Board is part, for financial reporting purposes, of the Commonwealth of Puerto Rico, its financial data is included as part of the Commonwealth of Puerto Rico financial statements. The Board's accompanying financial statement is issued solely to comply with the Single Audit Act Amendments of 1996 and for the information and use of the Board's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation - The Board's accompanying financial statement have been prepared in accordance with the cash basis of accounting, which is a special purpose framework other than generally accepted accounting principles in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. The basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

The cash basis of accounting differs from GAAP primarily because revenue (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. The amounts reported as cash receipts are those received during the fiscal year 2014-2015. No accrual is recognized.

Capital assets resulting from cash transactions are reported as cash disbursements in the acquiring governmental fund upon cash acquisition. No capital assets are recorded in the Board's financial statements. No long-term debt is reported in the Board's financial statement. No accrued compensated absences are reported in the Board's financial statement. Compensated absences resulting from cash transactions are reported as cash disbursements in the corresponding governmental funds column upon cash payment.

The accounts of the Board are organized on the basis of fund types, which are responsible for the coordination, receipt, and management of funds. These are composed of four funds which are described below. The accounts of the Board are accounted for with a set of accounts which only includes cash receipts and cash disbursements. No balance sheet accounts are maintained or reported.

The following individual programs account for the governmental resources allocated to them for the purpose of carrying on specified activities in accordance with laws, regulations, and other restrictions:

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

- **General Fund** - The general fund is the main operating fund of the Board. It is used to account for all financial resources except those required to be accounted for separately.
- **Special Revenue Fund** - Accounts for proceeds received through tire disposal fees, licenses, fines and penalties imposed to entities in Puerto Rico to assure compliance with federal and local environmental laws; and resources received from Indirect Costs Reimbursement from the Environmental Protection Agency.
- **Federal Grants Fund** - Accounts for the financial resources related to the Federal Grant Awards administered by the Board, except for Capitalization Grants for Clean Water State Revolving Funds.
- **Puerto Rico Water Pollution Control Revolving Fund**- Accounts for the financial resources related to the Capitalization Grants for Clean Water State Revolving Funds. The Puerto Rico Water Pollution Control Revolving Fund (the "Revolving Fund") was created by Act 44 of the Legislature of the Commonwealth of Puerto Rico (the "Commonwealth") on June 21, 1988, as amended. The Revolving Fund is administered, pursuant to Act 416 of September 22, 2004, as amended, (the "Act 416") by the Board. Pursuant to the Act 416, the Board, on behalf of the Commonwealth, is authorized to enter into operating agreements and capitalization grant agreements with the U.S. Environmental Protection Agency ("EPA"). The Board, Puerto Rico Infrastructure Financing Authority ("PRIFA"), Puerto Rico Aqueduct and Sewer Authority ("PRASA"), and Government Development Bank for Puerto Rico (the "Bank") entered into a memorandum of understanding under which each party has agreed to assume specific responsibilities in connection with the operations of the Revolving Fund.

The notes to financial statement provide information that is essential to a user's full understanding of the data provided in the financial statement.

Stewardship, Compliance, and Accountability - The revenue recognized in the General Fund consists of appropriations from the Office of Management and Budget of the Commonwealth of Puerto Rico for recurrent and ordinary functions of the Board. The procedures followed in approving the annual budget is as follows:

- Between November and December, the Board submits to the Office of Management and Budget of the Commonwealth of Puerto Rico an operating budget petition for the fiscal year commencing the following July 1.
- At the beginning of the ordinary session of the Legislative Assembly of the Commonwealth of Puerto Rico, the Governor submits a proposed budget for the fiscal year covering the whole operations of the Commonwealth. This proposed budget includes estimated expenditures and the means of financing them.
- The annual budget is legally enacted through the approval by the Legislative Assembly of the Joint Resolution of the General Budget. Subsequently to enactment, the Office of Management and Budget of the Commonwealth has the authority to make the necessary adjustments to the budget.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

The financial statements are presented at the programmatic level. However, budgetary control and accounting are maintained at a level more detailed to provide the management control in detail of the expenses to the appropriate level of the budget.

Federal grant funds can be carried over a specified amount of time, upon request to, and approval by the federal agencies. The financial statement is presented at the programmatic level. However, budgetary control and accounting is exercised at a lower level providing management with detailed control over expenditures at an appropriated budget level.

Compensated absences - The vacation policy of the Commonwealth of Puerto Rico that applies to the Board's employees provides for the accumulation of 30 days of vacations and 18 days of sick leave annually. Vacations may be accumulated up to a maximum of sixty (60) days and sick leave up to a maximum of ninety (90) days. In the event of employee resignation, the employee is paid for accumulated vacation days up to the maximum allowed at the current rate. Separation from employment prior to use of all or part of the sick leave terminates all rights for compensation, except for employees with ten years of service who are entitled to sick leave pay up to the maximum allowed.

Risk Financing - The Board is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, injuries to employees' health, and natural disasters. Commercial insurance policies covering such risk are negotiated by the Puerto Rico Treasury Department and costs are allocated among all the municipalities and Commonwealth of Puerto Rico instrumentalities. Also, principal officials of the Board are covered under various surety bonds. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Board.

Accounting for Pension Costs - GASB 68, *Accounting and Financial Reporting for Pensions* ó an amendment of GASB Statement No. 27, became effective for the year ended June 30, 2015. This statement replaces the requirements of GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB 50, *Pension Disclosures*, as they related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria as is the case of the Employee Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS). Under GASB 68, the Commonwealth's agencies (such as the Board), as well as the component units and municipalities are considered "cost-sharing" employers of the ERS, therefore, the Board would report its allocated share of the Commonwealth's resulting net pension liability based on (1) the Corporation's individual proportion to the collective net pension liability of all the governments participating; and (2) the proportion should be consistent with the method used to assess contributions (percentage of payroll). However, as the accompanying financial statements are being presented on a cash basis of accounting, none of the adjustments that would have been required by GASB 68 would have been applicable to these financial statements. Under the cash basis of accounting, the Board accounts for pension costs from the standpoint of a participant in a multiple employer cost-sharing plan. Accordingly, pension costs recognized in the accompanying financial statements continue to be equal to the statutorily required contributions paid.

For the purpose of applying the requirements of the Governmental Accounting Standards Board, the Commonwealth is considered to be the sponsor of the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities (ERS), a multiemployer cost-sharing defined benefit pension plan and a hybrid defined contribution plan, in which the employees of the Board participate. The Board is considered a participant, and not a sponsor, of these retirement systems since the

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

majority of the participants in the aforementioned pension trust funds are employees of the Commonwealth and the basic financial statements of such retirement systems are part of the financial reporting entity of the Commonwealth.

3. CUSTODIAL CREDIT RISK

The funds of the Board are under the custody and control of the Secretary of the Treasury Department of the Commonwealth (the Treasury Department) pursuant to Act No. 230 of July 23, 1974, as amended, known as "Commonwealth of Puerto Rico Accounting Law". The Treasury Department follows the practice of pooling cash equivalents under the custody and control of the Secretary of the Treasury. The funds of the Board in such pooled cash accounts are available to meet its current operating requirements.

4. FUND ADVANCES

The Board receives fund advances from the Treasury Department for the interim financing of federal programs, as authorized by Act No. 21 of 1979. This Act establishes that all fund advances made will be reimbursed to the General Fund of the Commonwealth's treasury as the corresponding federal funds are received. During the fiscal year ended June 30, 2015, the \$5,042,649 of cash disbursements from the Federal Grants Fund were advanced to the Board and as of June 30, 2015 the Board has not requested reimbursement of approximately \$3,857,832 of those funds.

5. LEASE COMMITMENTS

The Board is obligated under certain leases accounted for as operating leases. Operational leases do not grant property rights or tenant obligations; therefore, neither the assets nor liabilities of leasing arrangements are reflected in the accounting records. Rent paid during the year that ended on June 30, 2015 under these lease agreements amounted to \$472,590.

6. PENSION PLAN

Description of the Plan

Employees of the Board participate in the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico (ERS). The ERS is a cost-sharing multiple-employer defined benefit pension plan sponsored by the Commonwealth under the Act No. 447, approved on May 15, 1951, as amended. ERS covers all regular employees of the Commonwealth and its instrumentalities and of certain municipalities and components units not covered by their own retirement systems.

Act No. 3 was enacted on April 4, 2013, which amended the Act No. 447 for the purpose of establishing a major reform of the ERS, became effective on July 1, 2013. Also, Act No. 3 amended the Act No. 305 of September 24, 1999 which created a Defined Contribution Hybrid Program known as System 2000, incorporating the provisions of the system to Chapter 5 of the ERS. The System 2000 applied to employees joining the ERS on or after January 1, 2000.

Members who had entered the ERS before January 1, 2000 participated in a defined benefit program. Members who began to participate prior to April 1, 1990 were entitled to the highest benefits structure, while those who began to participate on or after April 1, 1990 were subject to a longer vesting period and a reduced level of benefits, as provided by Act No. 1 of February 16, 1990. In 1999, an act was approved to amend the plan and close the defined benefit plan for new participants and prospectively, and established

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

a new defined contribution plan, referred to as System 2000 Program. In 2013, another act was approved to amend the plan and follow the same defined contribution program established with the System 2000 Program to be administered by the ERS. As a result of those amendments the ERS consists of different benefit structures, including a cost-sharing, multi-employer, defined benefit program, a defined contribution program and a defined contribution hybrid program that will be explained in detail below.

a. *Cost-Sharing, Multi-Employer, Defined Benefit Program*

Pursuant to Act No. 447 of May 15, 1951, as amended, (Act 447), all regular employees of the Board hired before January 1, 2000 and less than 55 years of age at the date of employment became members of the ERS, under a Defined Benefit Program (the Benefit Program), as a condition of their employment.

The Benefit Program provides retirement, death, and disability benefits pursuant to legislation enacted by the Legislature of Puerto Rico (the Legislature). Members who have attained 55 years of age and have completed at least 25 years of creditable service, or members who have attained at least 58 years of age and have completed at least 10 years of creditable service are entitled to an annual benefit, payable monthly for life. The amount of the annuity shall be 1.5% of the average salary, as defined, multiplied by the number of years of creditable service up to 20 years, plus 2% of the average salary, as defined, multiplied by the number of years of creditable service in excess of 20 years. The annuity for which the participant is eligible, is limited to a minimum of \$500 per month and a maximum of 75% of the average compensation, as defined. No benefits are payable if the participant receives a refund of their accumulated contributions.

Participants who have completed at least 30 years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained 55 years of age will receive up to a maximum 65% of the average salary, as defined, or if they have attained 55 years of age will receive up to a maximum of 75% of the average salary, as defined. Disability retirement benefits are available to members for occupational and non-occupational disability up to a maximum benefit of 50% of the average salary, as defined. However, for non-occupational disability, a member must have at least 10 years of creditable service.

Commonwealth's legislation requires employees to contribute 10% of their monthly gross salary.

Act No 1 of February 16, 1990 (Act 1), made certain amendments applicable to new participating employees joining the ERS effective April 1, 1990. This changes consist principally of an increase in the retirement age from 55 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

b. *Defined Contribution Program – System 2000 Program*

On September 24, 1999, the Legislature enacted Act No. 305 (Act 305), which amended Act 447 to establish a new retirement program. Act 305, among other things, creates the System 2000 Program, a new benefit structure similar to a defined contribution plan. All regular employees hired for the first time on or after January 1, 2000, and former employees who participated in the Benefit Program, and were rehired on or after January 1, 2000, became members of the System 2000 Program as a condition to their employment. In addition, employees who at December 31, 1999 were participants of the Benefit Program had the option, up to March 31, 2000, to

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

irrevocably transfer their prior contributions to the Benefit Program plus interest thereon to the System 2000 Program.

Commonwealth legislation requires employees to contribute 10% of their monthly gross salary to the System 2000 Program. Employee contributions are credited to individual accounts established under the System 2000 Program. Participants have three options to invest their contributions and investment income is credited to the participant's account semiannually.

Under System 2000 Program, contributions received from participants are pooled and invested by the ERS, together with the assets corresponding to the Benefit Program. Future benefit payments under the Benefit Program and the System 2000 Program will be paid from the same pool of assets. As a different benefit structure, the System 2000 Program is not a separate plan and the Commonwealth does not guarantee benefits at retirement age.

Corresponding employer's contributions will be used by the ERS to reduce the unfunded status of the Plan.

The System 2000 Program reduced the retirement age from 65 years to 60 years for those employees who joined this plan on or after January 1, 2000.

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

c. *Defined Contribution Hybrid Program*

On April 4, 2013, the Legislature enacted Act No. 3 (Act 3), which amended Act 447, Act 1, and Act 305 to establish, among other things, a defined contribution program similar to the System 2000 Program to be administered by the ERS (the Hybrid Program). All active regular employees hired for the first time on or after July 1, 2013, and former employees who participated in the Benefit Program and the System 2000 Program, and were rehired on or after July 1, 2013, became members of the Hybrid Program as a condition of their employment.

In addition, employees who at June 30, 2013, were participants of previous programs will become part of the Hybrid Program. Act 3 froze all retirement benefits accrued through June 30, 2013 under the Benefit Program, and thereafter, all future benefits will accrue under the defined contribution formula used for the 2000 System Program participants.

Participants in the Benefit Program who as of June 30, 2013, were entitled to retire and receive some type of pension, may retire on any later date and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. Participants who as of June 30, 2013 have not reach the requirements of age and years of service can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

Participants in the System 2000 Program who, as of June 30, 2013, were entitled to retire because they were 60 years of age may retire on any later date and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. Participants in the System 2000 Program who, as of June 30, 2013, have not reached the age of 60 can retire depending on the new age limits defined by the Hybrid Program and will receive the annuity corresponding to their retirement plan under the Benefit Program, as well as the annuity accrued under the Hybrid Program. In addition, Act 3 amended the provisions of the different benefit structures under the ERS including, but not limited to, the following:

- Increased the minimum pension for current retirees from \$400 to \$500 per month.
- The retirement age for the Act No. 447 participants will be gradually increased from age 58 to age 61.
- The retirement age for the active System 2000 Program participants will be gradually increased from age 60 to age 65.
- Eliminated the merit annuity available to participants who joined the ERS prior to April 1, 1990.
- The retirement age for new employees was increased to age 67.
- The employee contribution rate was increased from 8.275% to 10%.
- For the System 2000 Program participants, the retirement benefits will no longer be paid as a lump sum distribution, instead, they will be paid through a lifetime annuity.
- Eliminated or reduced various retirement benefits previously granted by special laws, including Christmas and summer bonuses. The Christmas bonus payable to current retirees was reduced from \$600 to \$200 and was eliminated for future retirees. The summer bonus was eliminated. Resulting employer contribution savings will be contributed to the ERS.
- Disability benefits were eliminated and substituted for a mandatory disability insurance policy.
- Survivor benefits were modified.

Employee contributions are credited to individual accounts established under the Hybrid Program. In addition, a mandatory contribution equal to or less than point twenty five percent (0.25%) is required for the purchase of disability insurance.

Upon retirement, the balance in each participant's account will be used to purchase an annuity contract, which will provide for a monthly benefit during the participant's life. In case of the pensioner's death, the designated beneficiaries will continue receiving the monthly benefit until the contributions of the participant are completely consumed. In case of the participants in active service, a death benefit will be paid in one lump sum in cash to the participant's beneficiaries.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

Participants with a balance of less than \$10,000 or less than five years of computed services at retirement will receive a lump-sum payment. In case of permanent disability, the participants have the option of receiving a lump-sum or purchasing an annuity contract.

For the year ended June 30, 2015, the Board was required to contribute 13.275% of each participant's gross salary under the different benefit structures. The ERS will use these contributions to increase its level of assets and to reduce the actuarial deficit. Beginning on July 1, 2013, and up until June 30, 2016, the employer's contribution rate shall be annually increased by one percent (1%). Beginning July 1, 2016, and up until June 30, 2021, the employer's contribution rate that is in effect on June 30 of every year shall be annually increased on every successive July 1 by one point twenty-five percent (1.25%).

System Administered Pension Benefits:

The ERS also administers benefits granted under various special laws that have provided additional benefits for the retirees and beneficiaries, referred to as System Administered Pension Benefits. The System Administered Pension Benefits include, among others, additional minimum pension, death and disability benefits, ad-hoc cost-of-living adjustments and summer and Christmas bonuses. Act 3 and Act 160 amended various laws providing some of these System Administered Pension Benefits to reduce some of the amounts payable to existing retirees while eliminating the benefits for all future retirees (those retiring after June 30, 2013 and July 31, 2014).

The System Administered Pension Benefits are funded on a pay-as-you-go basis by the participating employers, including the Board. The System Administered Pension Benefits corresponding to former employees of the Board are obligations of the Board. Most of the funds used to cover the System Administered Pension Benefits for other covered employees are queried to be paid by the Commonwealth.

The Board's contributions to the Benefit Program, System 2000 Program and Hybrid Program during the year ended June 30, 2015, amounted to approximately \$1,458,003; and additional contribution for retired employees under the incentive retirement plan provided by Act No. 70 of 2012 amounted to approximately \$550,000 for a total contribution of \$2,008,003.

Additional information on the Retirement System is provided on its stand-alone financial statements for the year ended June 30, 2014, a copy of which can be obtained from the Employees' Retirement System of the Commonwealth of Puerto Rico, P.O. Box 42004, San Juan PR 00940-2004.

7. RELATED PARTY TRANSACTIONS

The Board paid to the Puerto Rico Electric Power Authority and the Puerto Rico General Services Administration the amount of \$276,343 and 104,891, respectively, for services provided during the fiscal year ended June 30, 2015.

8. CONTINGENCIES

In the normal course of operations, the Board participates in various federal grant agreements from year to year. The expenditures financed by grants are subject to program compliance audits by the grantor and passed-through agencies in order to assure compliance with grant requirements. If expenditures are

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS-GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantors for such expenditures.

The Board is also subject to audits performed by the Office of the Comptroller of Puerto Rico.

The Board is defendant in lawsuits arising in the normal course of governmental operations, principally from claims for alleged violation of civil rights and discrimination in employment practices. According to Act Number 104 of the Commonwealth of Puerto Rico, as amended, known as "Claims and Lawsuits against the State", provides that lawsuits initiated against an agency or instrumentality of the Commonwealth, including its employees, directors, mayors, and other government officers may be defended by the Board. Any claims with negative financial impact will be paid from the General Fund of the Commonwealth of Puerto Rico, with no effect on the budget or resources of the Board.

9. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 21, 2016 the date the financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the 2015 financial statements.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

| <u>Federal grantor/pass-through grantor/Program title</u> | <u>Federal CFDA Number/ pass- through number</u> | <u>Expenditures</u> |
|---|--|----------------------|
| U.S. Department of Defense | | |
| State Memorandum of Agreement Program for the Reimbursement of Technical Services | 12.113 | \$ 494,906 |
| Total U.S. Department of Defense | | <u>494,906</u> |
| U.S. Department of Transportation | | |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | 81,225 |
| Total U.S. Department of Transportation | | <u>81,225</u> |
| U. S. Environmental Protection Agency | | |
| Air Pollution Control Program Support | 66.001 | 1,847,275 |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | 510,880 |
| State Clean Diesel Grant Program | 66.040 | 29,147 |
| Water Quality Management Planning | 66.454 | 377,830 |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | 68,166,864 |
| Beach Monitoring and Notification Program Implementation Grants | 66.472 | 602,903 |
| Performance Partnership Grants | 66.605 | 3,906,742 |
| TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 66.707 | 653,613 |
| Hazardous Waste Management State Program Support | 66.801 | 820,761 |
| Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | 116,434 |
| Underground Storage Tank Prevention, Detection and Compliance Program | 66.804 | 427,351 |
| Leaking Underground Storage Tank Trust Fund Corrective Action Program | 66.805 | 375,881 |
| Superfund State and Indian Tribe Core Program Cooperative Agreements | 66.809 | 21,494 |
| State and Tribal Response Program Grants | 66.817 | 51,773 |
| Total U. S. Environmental Protection Agency | | <u>77,908,948</u> |
| Total expenditures of federal awards | | <u>\$ 78,485,079</u> |

See notes to schedule of expenditures of federal awards.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

1. **Basis of Presentation and Summary of Significant Accounting Policies**ó The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Puerto Rico Environmental Quality Board (the "Board") for the year ended June 30, 2015. The information in the Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position of the Board.

The Board reports the program expenditures on the Schedule on the period when the reimbursement request is made to the federal agencies rather than when the expenditures were incurred. The Board has been using this basis of accounting to prepare the Schedule for the past few years due to the backlog in federal financial assistance reimbursements requests that arose from the additional special conditions imposed by the U.S. Environmental Protection Agency due to the high-risk grantee designation the Board had since 2001 through May 2014. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

2. **Reconciliation of the Schedule with the Statement of Cash Receipts and Disbursements**

The following presents a reconciliation between the Schedule with the Statement of Cash Receipts and Disbursements:

| Description | Federal Grants Fund | Puerto Rico Water Pollution Control Revolving Fund | Total |
|--|------------------------|--|---------------|
| Expenditures per Schedule of Expenditures of Federal Awards | \$ 10,318,215 | \$ 68,166,864 | \$ 78,485,079 |
| Expenditures incurred in prior years but claimed for reimbursement during the year ended June 30, 2015 | (9,133,388) | (2,533,598) | (11,666,986) |
| Expenditures incurred during the year ended June 30, 2015 that have not been claimed for reimbursement to the Federal government | 3,857,832 | 656,955 | 4,514,787 |
| Federal expenditures per Statement of Cash Receipts and Disbursements | \$ 5,042,659 | \$ 66,290,221 | \$ 71,332,880 |

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

3. Federal Grant Programs Reimbursed in Arrears

The Board participates in several federal programs where payments are received in arrears due to the backlog in federal financial assistance reimbursements requests that arose from the additional special conditions imposed by the U.S. Environmental Protection Agency due to the high-risk grantee designation the Board had since 2001 through May 2014. The Board reports actual revenues for these programs in the fiscal year the funds are received as follows:

| <u>Description</u> | <u>Federal Grants Fund</u> | <u>Puerto Rico Water Pollution Control Revolving Fund</u> | <u>Total</u> |
|---|--------------------------------|---|---------------|
| Federal fund reimbursement requests made during fiscal year 2014, but collected in fiscal year 2015 | \$ 486,305 | \$ - | \$ 486,305 |
| Federal fund reimbursement requests made during fiscal year 2015, and collected as of June 30, 2015 | 9,387,442 | 68,166,864 | 77,554,306 |
| Federal grants per statement of cash receipts and disbursements | \$ 9,873,747 | \$ 68,166,864 | \$ 78,040,611 |

4. Subrecipients

Of the federal awards presented in the Schedule, the Board provided federal awards to various subrecipients as follows:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---------------------|
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | \$ 65,633,266 |

5. Administrative Expenses

As provided by federal laws and regulations, reasonable costs of administering the Capitalization Grants for Clean Water State Revolving Fund are reimbursable up to a maximum of 4% of the capitalization grant awarded each year. Total reimbursement of administrative expenses received by the Board from the Capitalization Grants for Clean Water State Revolving Fund during the year ended June 30, 2015, amounted to \$2,533,598.



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INDEPENDENT AUDITOR’S 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*

To the Executive Director of the Puerto Rico
Environmental Quality Board

We have audited, in accordance with the 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, the Statement of Cash Receipts and Disbursements-Governmental Funds of the Puerto Rico Environmental Quality Board (the Board), for the year ended June 30, 2015, and the related notes to the Statement, and have issued our report thereon dated March 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered the Board’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control.

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 that there is a reasonable possibility that a material misstatement of the entity’s financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board’s Statement of Cash Receipts and Disbursement-Governmental Funds are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

The Board’s Response to Findings

The Board’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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San Juan, PR
March 21, 2016

License No. 90
Expiration Date: December 1, 2016

Stamp No. E191239 of Puerto Rico
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Executive Director of the Puerto Rico
Environmental Quality Board

Report on Compliance for Each Major Federal Program

We have audited the Puerto Rico Environmental Quality Board's (the Board's) 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 each of the Board's major federal programs for the year ended June 30, 2015. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Programs

In our opinion, the Board complied, in all material respects, with the types of 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, 2015.

Report on Internal Control over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Board's internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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San Juan, PR
March 21, 2016

License No. 90
Expiration Date: December 1, 2016

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PUERTO RICO ENVIRONMENTAL QUALITY BOARD

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Part I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiencies identified? _____ yes X no
- Material weakness identified? _____ yes X none reported

Noncompliance that is material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Significant deficiencies identified? _____ yes X no

- Material weakness identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? _____ yes X no

Identification of Major Programs

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|---|
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |
| 66.605 | Performance Partnership Grants |

Dollar threshold used to distinguish between Type A and Type B programs: \$2,354,552

Auditee qualify as low-risk auditee? _____ yes X no

Section II-Financial Statement Findings

The audit report for the year ended June 30, 2015, dated March 21, 2016, has no financial statement findings

Section III-Federal Award Findings and Questioned Costs

The audit report for the year ended June 30, 2015, dated March 21, 2016, has no federal award findings.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding No. 2014-002 Federal Funding Accountability and Transparency Act-Sub award Reporting

Federal Program Name

Capitalization Grants for Clean Water State Revolving Funds CFDA No. 66.458

Name of Federal Agency

U.S. Environmental Protection Agency

Award Number and Year

Various awards

Program requirement:

Reporting

Questioned costs:

None

Condition

The Revolving Fund has not reported sub-awards in the FFATA Sub-award Reporting System.

Recommendation

Management must put in place procedures to ensure that sub-awards subject to FFATA reporting are reported in the FFATA Sub-award Reporting System.

Current Status

EQB implemented a procedure to report sub awards in the FFATA Sub-award Reporting System (FSRS). Coordination between PRIFA and the Water Quality Area have been completed to ensure proper execution of the SOP in order to comply with sub awards FFATA reporting requirements.

Finding No. 2014-003 Federal Financial Reports-Overdue

Federal Program Name

Performance Partnership Grants CFDA No. 66.605

Name of Federal Agency

U.S. Environmental Protection Agency (EPA)

Award Number and Year

Awards No. BG99293412 and BG9929413

Program requirement:

Reporting

Questioned costs:

None

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Condition

The interim Federal Financial Reports (SF-425) for grants No. BG99293412 and BG9929413 that were due on December 31, 2013 have not been submitted to the U.S. Environmental Protection Agency. This is a prior year finding.

Recommendation

Management should implement control procedures to ensure that the interim Federal Financial Reports are prepared and submitted to the U.S. EPA when due.

Current Status

The delay in submitting the FFRs is due to the delay in receiving the Notice of Awards and the backlog in preparing the Reimbursement Request. On December 2014, the External Resources Office manager requested additional time to submit the final financial reports to EPA for all the past due awards. EQB understands once the reimbursement requests are processed in a timely manner this finding will be fully corrected. EQB completed requesting the past due reimbursement request on December 2015.

Finding No. 2014-004 Minority Business Enterprise (MBE)/ Women Business Enterprise (WBE) Utilization under Federal Grants Reports-Overdue

Federal Program Name

Performance Partnership Grants CFDA No. 66.605

Name of Federal Agency

U.S. Environmental Protection Agency

Award Number and Year

Awards No. BG99293409, BG99293410 BG99293411, BG99293412 and BG9929413

Program requirement:

Reporting

Questioned costs:

None

Condition

The EQB has not submitted to the U.S. EPA the Forms 57200-52A, MBE/WBE Utilization Under Federal Grants and Cooperative Agreements for grants No. BG99293409, BG99293410 BG99293411, BG99293412 and BG9929413 that were due on October 31, 2013. This is a prior year finding.

Recommendation

Management should implement control procedures to ensure that the MBE/WBE Utilization Under Federal Grants and Cooperative Agreements reports are prepared and submitted to the U.S. EPA when due.

PUERTO RICO ENVIRONMENTAL QUALITY BOARD

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Current Status

Although EQB implemented the standard operating procedure to prepare the reports on a timely manner some reports are still being submitted late. For this reason, the EQB External Resources Office staff is implementing an Administrative and Programmatic Condition Compliance Monitoring Report system in Sharepoint that will assist them in the monitoring of the Programs and Finance issuance of required reports on a timely manner. The new system is ready for implementation but due to some server capacity issues it is operational. The Administrative and Programmatic Condition Compliance Monitoring Report system should be operational by no later than September 30, 2016.