

# *Financial Statements*

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

**COMBINED STATEMENT OF CASH RECEIPTS  
AND CASH DISBURSEMENTS - ALL FUND TYPES**

YEAR ENDED JUNE 30, 2010

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	2-3
Combined Statement of Cash Receipts and Cash Disbursements — All Fund Types..	4
Notes to the Combined Statement of Cash Receipts and Cash Disbursements — All Fund Types.....	5-15
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	17
Notes to the Schedule of Expenditures of Federal Awards.....	18
 <b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....</b>	
	19-20
 <b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAYOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....</b>	
	21-22
 <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS:</b>	
Summary of Audits Results.....	23
Financial Statements Audit Findings.....	24
Federal Awards Findings And Questioned Costs.....	25-30
 <b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....</b>	
	32
 <b>CORRECTIVE ACTION PLAN.....</b>	
	33





# Aquino, De Córdova, Alfaro & Co., LLP

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## INDEPENDENT AUDITORS' REPORT

To the President of the  
Puerto Rico Planning Board  
San Juan, Puerto Rico

We have audited the accompanying combined statement of cash receipts and cash disbursements — all fund types of the Puerto Rico Planning Board (the Board) for the year ended June 30, 2010, as listed in the table of contents. This financial statement is the responsibility of the Board's management. Our responsibility is to express an opinion on this financial 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 combined statement of cash receipts and cash disbursements — all fund types is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement of cash receipts and cash disbursements — all fund types. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined statement of cash receipts and cash disbursements — all fund types presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the combined statement of cash receipts and cash disbursements — all fund types, the cash receipts and disbursements basis of accounting, on which this statement is prepared, is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the combined cash receipts and cash disbursements - all fund types of the Puerto Rico Planning Board for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2010, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the President of the  
Puerto Rico Planning Board

Our audit was conducted for the purpose of forming an opinion on the combined statement of cash receipts and cash disbursements — all fund types taken as a whole. 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 State, Local Governments, and Non-Profit Organizations", and is not a required part of the Combined Statement of Cash Receipts and Cash Disbursements — All Fund Types. Such information has been subjected to the auditing procedures applied in the audit of the Combined Statement of Cash Receipts and Cash Disbursements — All Fund Types and, in our opinion, is fairly stated, in all material respects, in relation to the Combined Statement of Cash Receipts and Cash Disbursements — All Fund Types taken as whole.

San Juan, Puerto Rico  
December 29, 2010

*Aquino, De Cordova, Alfaro & Co. LLP*

Stamp number 2572541  
has been affixed to the  
original report



**Aquino, De Córdoba, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

**COMBINED STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS - ALL  
FUND TYPES  
YEAR ENDED JUNE 30, 2010**

	Governmental Funds			Total
	General	Special Revenue	Proprietary Fund	
<b>CASH RECEIPTS:</b>				
Legislative appropriations	\$ 12,190,615	\$ -	\$ -	\$ 12,190,615
Federal grants	-	881,111	-	881,111
Other state funds	-	1,710,873	-	1,710,873
Charges for services	-	-	481,955	481,955
	<u>12,190,615</u>	<u>2,591,984</u>	<u>481,955</u>	<u>15,264,554</u>
<b>CASH DISBURSEMENTS:</b>				
Management	2,777,314	1,023,525	305,662	4,106,501
Internal administration	3,478,725	-	-	3,478,725
Economic and social planning	2,715,885	-	-	2,715,885
Physical planning	2,216,539	1,188,442	-	3,404,981
Information system	885,789	-	-	885,789
Free drug zone	116,363	-	-	116,363
Pass-through funds to other entities	-	1,749,255	-	1,749,255
	<u>12,190,615</u>	<u>3,961,222</u>	<u>305,662</u>	<u>16,457,499</u>
<b>EXCESS (DEFICIENCY) OF DISBURSEMENTS DISBURSEMENTS</b>	<u>\$ -</u>	<u>\$ (1,369,238)</u>	<u>\$ 176,293</u>	<u>\$ (1,192,945)</u>

See notes to Combined Statement of Cash Receipts and Cash Disbursements-All Fund Types



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND CASH  
DISBURSEMENTS — ALL FUND TYPES  
JUNE 30, 2010

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

**Organization**

The Puerto Rico Planning Board (the Board) is an executive office of the Commonwealth of Puerto Rico (The Commonwealth), ascribed to the Governor Office and created by Law No. 75 of June 24, 1975, as amended. In May 1997, the Board was designated by an executive order of the Governor of Puerto Rico as the state agency with fiscal administration responsibilities for those federal funds received by the Puerto Rico Developmental Disabilities Council.

The Puerto Rico Developmental Disabilities Council (the Council) was created in 1971 by an executive order from the Governor of Puerto Rico, to comply with Federal Public Law 91-517, known as Developmental Federal Disabilities Act of 1970. This Act requires a council to each state that receives assistance under this law.

The Board is responsible for carrying out the programs of the Commonwealth directed toward the economic, social and physical development of Puerto Rico.

The operations of the Board are funded through annual budgetary appropriations approved by the Legislature of the Commonwealth of Puerto Rico. The annual budgetary appropriation amounted to \$12,003,000 for the fiscal year ended June 30, 2010. In addition, The Board receives Federal Financial Assistance for specific purposes.

The Board maintained six programs to perform its activities, such as General Management, Internal Administration, Economic and Social Planning, Physical Planning, Information System and Drug Free Zone (School's Security).

As a governmental entity, the Board is exempt from the payment of any taxes on its revenues and properties.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND CASH  
DISBURSEMENTS — ALL FUND TYPES -CONTINUED  
JUNE 30, 2010

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – CONTINUED**

**Summary of significant accounting policies:**

A summary of the significant accounting policies used in the preparation of the statement of cash receipts and disbursements follows:

**Basis of presentation**

The accompanying financial statement has been prepared pursuant to the provisions of Act No. 230 of July 23, 1974, as amended; known as the "Puerto Rico Government Accounting Act". This law establishes public policy with respect to the control of and accounting for, public funds and property. The Board's funds are, by law, under custody and control of the Secretary of the Treasury and are also accounted for in the Commonwealth's Central Government Accounting Systems (CGAS). The Board is a component unit of the Commonwealth of Puerto Rico. The accompanying financial statement is intended to present the combined cash receipts and cash disbursements — all fund types of only that portion of the funds of the Commonwealth of Puerto Rico that is attributable to the transactions of the Board.

The accounts of the Board are organized on the basis of these two fund types: Governmental Fund and Proprietary Fund. The Board maintains appropriations for several individual and local funds within each fund type. As more fully explained below, each fund is accounted for with a set of accounts, which only include cash receipts and disbursements. No balance sheet accounts are maintained or reported. The individual funds account for the governmental resources allocated to them for the purpose of carrying out specific activities in accordance with laws, regulations and other restrictions.

**Description of funds**

The various funds are summarized by type in the financial statement. The following fund types are used by the Board:

**Governmental Fund Types**

General Fund — is the general operating fund. It accounts for all financial resources except those required to be accounted for in other funds.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS — ALL FUND TYPES -CONTINUED  
JUNE 30, 2010

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - CONTINUED**

**Summary of significant accounting policies -continued:**

**Description of funds- continued**

Special Revenue Fund — are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

**Proprietary Fund Type**

Enterprise Fund — is used to account for activities in which a fee is charged to an external user for goods or services.

**Basis of accounting**

The Board accounts for all funds administered using the cash basis of accounting. Under this basis, revenues are recognized as funds are received, and expenditures are recognized when funds are disbursed or transferred-out. Therefore, the Combined Statement of Cash Receipts and Cash Disbursements is not intended to present the Board's results of operations in accordance with generally accepted accounting principles (GAAP).

Appropriation funds are under control of the Secretary of the Puerto Rico Treasury Department and are recognized as cash received when funds are disbursed by the Secretary of the Treasury Department. Therefore, cash received and cash disbursed represent the same amount for the purpose of the General Fund and for those funds or contributions where the Secretary of the Treasury Department has established the same disbursement policy.

**Description of Revenues and Support**

**General Appropriations**

Legislative appropriations are approved by the Legislature of the Commonwealth of Puerto Rico. Budgeted amounts are as originally adopted, or as amended by the Puerto Rico Budget and Management Office. Total appropriations, as approved, for the year ended June 30, 2010 amounted to \$12,003,000.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS — ALL FUND TYPES - CONTINUED  
JUNE 30, 2010

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES – CONTINUED**

**Description of Revenues and Support (continued)**

Following is a summary of cash receipts/disbursements of the General Fund recognized during the year ended June 30, 2010:

Legislative appropriations — fiscal year 2009-2010	\$ 11,813,274
Legislative appropriations — prior fiscal year (obligated funds as paid)	<u>377,341</u>
Total legislative appropriations	<u>\$ 12,190,615</u>

*Special Governmental Support*

From time to time the Board receives special assignments from the State Legislature or from the Governor Office to perform these special assignments, most of the time the Board receives additional special funds assignments. The special assignments and funds assignments can be in effect for more than one year; in some cases the funds are assigned one time to be spent for a period more than one year.

*Charges for Services*

The Board is allowed to charge fees for permits and consultations. In addition, the Board generates revenues for the sales of maps, publications and other services that are provided to the general public. These revenues are accounted for by the Puerto Rico Treasury Department in special accounts assigned to the Board and to be used in general operations. These special accounts did not have time limitation or specify a period to be used.

*Federal Assistance Programs*

- State Developmental Disabilities Councils Grant Program

The purpose of this program is to assist States in the development of a plan for a comprehensive and coordinated system of services and other activities to enhance the lives of individuals with developmental disabilities and their families, as described in the federal law, to their maximum potential, and to support a system which protects the legal and human rights of individuals with developmental disabilities. The state receives funding under the Basic Developmental Disabilities Program and the Protection and Advocacy Program.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - ALL FUND TYPES - CONTINUED  
JUNE 30, 2010

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**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - CONTINUED**

**Description of Revenues and Support -continued**

Grant funds must be obligated within a two year period, beginning in the first day of the federal fiscal year in which the grant was awarded and have additional period of one year to liquidate the related obligations.

- Community Assistance Program, State Support Service Element (CAP- SSSE) and Map Modernization Management Support (MMMS)

The Board is the Commonwealth Agency responsible for coordinating flood plan management aspects of the National Flood Implementation Plan. The purpose of these grants is to assist the Board in the performing of a State Level Conference to educate state and local agencies officials, and private sector plan developers. This conference will support the implementation of the Flood Map Modernization for Puerto Rico.

- Coastal Zone Management Program

The objective of this program is to assist the Puerto Rico National Resources Department in the implementation of the Coastal Zone Management Plan, as approved, by the National Oceanic and Atmospheric Administration, U.S. Department of Commerce. The Department pass-through funds to the Board which is the designated agency to manage the federal compatibility certification procedures for state and federal governmental agencies projects and private entities projects.

- Economic Development Technical Assistance

The main objective of this program is to coordinate the local economic planning process and to promote more and better employment opportunities in order to increase the income level of the residents of Puerto Rico.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - ALL FUND TYPES - CONTINUED  
JUNE 30, 2010

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - CONTINUED**

**Description of Revenues and Support -continued**

The summary of all funds revenues and support as of June 30, 2010 is as follows:

Description	Budget	Obligated Funds	Available Balance
<b><u>General Appropriation</u></b>			
Legislative Appropriation 2010	\$ 12,003,000	\$ 23,118	\$ 166,605
<b><u>Special Governmental Support</u></b>			
Castaner Ward Development 05-06	120,000	11,798	108,201
Castaner Ward Development 06-07	150,000	75,060	74,940
Castaner Ward Development 08-09	150,000	-	150,000
"Re- Diseño"	150,000	42,056	394
Land Exploring Planning	5,800,000	2,680,468	556,520
Land Developing Planning	400,000	70,029	18,499
Law 7	209,293	-	5,754
Law 7 Second Phase	267,981	-	566,340
Vehicles Insurance Reclamations	5,723	-	5,723
Total Special Governmental Support	<u>7,252,997</u>	<u>2,879,411</u>	<u>1,486,371</u>
<b><u>Charges for Services</u></b>			
Revenues from fees for services	-	533,324	2,371,009
Territories Ordering Planning	-	15,280	364,920
Revenues from sales of maps and others	-	-	443,937
Total Charges for Services	<u>-</u>	<u>548,604</u>	<u>3,179,866</u>



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS - ALL FUND TYPES - CONTINUED  
JUNE 30, 2010

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - CONTINUED**

**Description of Revenues and Support - continued**

<u>Description</u>	<u>Budget</u>	<u>Obligated Funds</u>	<u>Available Balance</u>
<b><u>Federal Financial Assistance Programs</u></b>			
Devepormental Disabilities Basic Support and Advocacy Grants			
Award year 2009-2010	2,506,931	64,911	2,166,948
Award year 2008-2009	2,506,931	8,775	1,924,400
Award year 2007-2008	2,506,931	10,420	602,819
Award year 2006-2007	2,500,404	-	383
Community Assistance Program State Support Services			
Award year 2008-2009	64,600	-	30,430
Award year 2007-2008	59,750	-	3,350
Award year 2006-2007	59,750	-	2,930
Map Modernization Management Program			
Award year 2008-2009	75,000	-	71,331
Award year 2007-2008	75,000	-	4,652
Award year 2006-2007	75,000	-	5,414
Coastal Zone Management Program			
Award Year 2007-2008	75,000	-	15,205
Economic Development Administration Planning			
Award Year 2005-2006	127,000	-	26,579
Total for Federal Financial Assistance Program	<u>10,632,297</u>	<u>84,106</u>	<u>4,854,441</u>
	<u>\$ 29,888,294</u>	<u>\$ 3,535,239</u>	<u>\$ 9,687,283</u>



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS — ALL FUND TYPES - CONTINUED  
JUNE 30, 2010

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**NOTE B - RETIREMENT PLAN**

The Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (ERS) is a cost-sharing, multiple-employer, defined pension plan sponsored by, and reported as a component unit of, the Commonwealth of Puerto Rico. All regular employees of the Board under age 55 at the date of employment become members of the system as a condition of the employment.

ERS provides retirement, death and disability benefits pursuant to Act No. 447, approved on May 15, 1951, as amended, which became effective on January 1, 1952. Retirement benefits depend upon age at retirement and number of years of credited service. Benefits vest after ten years of plan participation. Participants who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service or members who have attained an age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service or who have attained an age of at least sixty five (65) years and have completed at least 10 years of service if hired after April 1990 are entitled to an annual benefit, payable month for life.

The annuity, for which a plan member is eligible, is limited to a minimum of \$400 per month and a maximum of 75% of the average compensation.

Participants who have completed at least thirty (30) years of creditable service are entitled to receive a Merit, Annuity. Participants who have not attained fifty-five (55) years of age will receive 65% of such average compensation. Participants who have attained fifty-five (55) years of age will receive 75% of such average compensation. Disability retirement benefits are available to member for occupational and non-occupational disability. However, for non-occupational disability a member must have at least ten (10) years of creditable service.

No benefit is payable if the participant receives a refund of his accumulated contributions. Commonwealth law requires employees hired on or before March 31, 1990 to contribute to the ERS 5.775 percent for the first \$550 of their monthly gross salary and 8.275 percent for their salary in excess of \$550.

The contribution for employees hired after April 1, 1990 is 8.275 percent of their gross salary. The Board is required to contribute 9.275 percent of the participants' gross salaries to the ERS. The contribution total disbursement for the year ended June 30, 2010 was approximately \$822,144. On September 24, 1999 the law, which created ERS was amended for the purpose of establishing a defined contribution plan, know as System 2000.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS — ALL FUND TYPES - CONTINUED  
JUNE 30, 2010

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**NOTE B - RETIREMENT PLAN - CONTINUED**

System 2000 became effective on January 1, 2000. Board employees participating in the defined-benefit plan system at December 31, 1999, had the option to either stay in the defined benefit plan or transfer to System 2000. Persons employed by the Board on or after January 1, 2000 are only allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan; also know as a cash plan. Under this new plan, there will be a pool of plan assets, which will be invested by ERS, together with those of the defined-benefit plan. Benefits at retirement age will not be guaranteed. The annuity will be based on a formula which assumes that each year the participants' contribution (with a minimum of 8.275% of the participants' salary up to a maximum of 10%) will be invested as instructed by the participant in an account which either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Notes; (2) earn a rate equal to 75% of the return of ERS's Investment portfolio (net of management fees); or (3) earn a combination of both alternatives.

Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not being granted under System 2000. The employers' contributions (9.275% of the employee's salary) will be used to fund the defined benefit plan instead of System 2000.

System 2000 will reduce the retirement age of 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

**NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS — ALL FUND TYPES - CONTINUED  
JUNE 30, 2010**

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**NOTE C- LEASE COMMITMENTS**

The Board leases its facilities in San Juan and the Regional Office in Mayaguez. The lessee and lessor are both instrumentalities of the Commonwealth of Puerto Rico. Lease operating facilities were constructed by the Puerto Rico Public Building Authority. Currently, the annual lease payments are fixed, subject to change as deemed necessary by the Executive Director of the Puerto Rico Public Building Authority. These leases expired in April 30, 2003. After this date, the lease continues on a month to month basis until a renewal contract is formalized.

The Board also leases the operating facilities of the State Developmental Disabilities Council under an operating lease which expires in September 2010. The lease calls for monthly payments of \$8,516 until September 2009 and \$8,869 beginning in October 2009. The future minimum lease payments under the operating lease agreements are *as follows*:

<b><u>For Year ending June 30,</u></b>	<b><u>Amount</u></b>
2010	<u>\$ 105,367</u>

The total rent expense for all property amounted to \$225,972 for the year ended June 30, 2010.

**NOTE D - CONTINGENCIES**

*Litigation*

The Board is a party in legal proceedings and is a defendant in lawsuits pertaining to material matters, including those claims asserted which are incidental to performing its routine operations. These litigations include, but are not limited to, actions commenced and claim asserted against the Board. As of June 30, 2010, the financial effect of outstanding litigations could not be determined. The Board is represented by the Puerto Rico Department of Justice in most of the lawsuits filed against it, and any successful claims would be paid from the General Fund of the Commonwealth of Puerto Rico, with no material effect on the functional budget of the Board.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE COMBINED STATEMENT OF CASH RECEIPTS AND  
CASH DISBURSEMENTS — ALL FUND TYPES - CONTINUED  
JUNE 30, 2010

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**NOTE D - CONTINGENCIES - CONTINUED**

*Grant Programs*

The Board participates in a number of Federal financial assistance programs. These programs are subject to program compliance audits by the grantors or their representatives. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the funds to the grantor. The management of the Board believes that disallowed expenditures, if any, will not have a material effect on the results of its operations.



**SUPPLEMENTARY INFORMATION**



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010**

<u>Grantor Agency &amp; Program Title</u>	<u>Federal CFDA #</u>	<u>Grant Award Number</u>	<u>Federal Expenditures</u>
<b>US Department of Health &amp; Human Services</b>			
<b>Administration for Children and Families:</b>			
Developmental Disabilities Basic Support and Advocacy Grant	93.630	75-0-1536	\$ 275,072
	93.630	75-9-1536	190,107
	93.630	75-8-1536	1,282,222
	93.630	75-7-1536	467,231
			<u>2,214,632</u>
<b>US Department of Homeland Security</b>			
<b>Federal Emergency Management Agency (FEMA):</b>			
Community Assistance Program, State Support Service Element (CAP-SSSE)	97.023	EMN-2007-GR0200	<u>35,718</u>
			<u>35,718</u>
Map Modernization Management Support (MMMS)	97.070	EMN-2008-CA0205	3,669
	97.070	EMN-2007-CA0206	63,066
			<u>66,735</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,317,085</u>



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2010

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**NOTE A- GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the Puerto Rico Planning Board. The Board reporting entity is defined in Note 1 to The Board's Combined Statement of Cash Receipts and Cash Disbursements — All Fund Types. Federal financial assistance passed through from other government agencies is included on the schedule.

**NOTE B- BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting, which is described in Note 2 to The Board's Combined Statement of Cash Receipts and Cash Disbursements — All Fund Types.

**NOTE C- RELATION TO FINANCIAL STATEMENT (COMBINED STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS — ALL FUND TYPES)**

The federal funds expended for the year ended June 30, 2010 are as follows:

Management	\$ 567,830
Pass-through to other entities	<u>1,749,255</u>
Total disbursements	<u>\$ 2,317,085</u>





# Aquino, De Córdoba, Alfaro & Co., LLP

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### To the President of the Puerto Rico Planning Board

We have audited the combined statement of cash receipts and cash disbursements — all fund types of the Puerto Rico Planning Board for the year ended June 30, 2010, and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Puerto Rico Planning Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement but not for the purpose of expressing an opinion on the effectiveness of the Puerto Rico Planning Board internal control over financial reporting.

A *control 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 or 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 statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Puerto Rico Planning Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provision 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 10-01.

The Boards' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board's, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 29, 2010

*Aquino, De Cordova, Alfaro & Co. LLP*

Stamp number 2572542  
has been affixed to the  
original report





# Aquino, De Córdova, Alfaro & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Richard N. Alfaro, CPA (1951-1998)

Jorge Aquino Barreto, CPA, CVA

Jerry De Córdova, CPA, JD

Miguel Angel Ortiz, CPA

Eduardo González Green, CPA, CFE

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE DIRECT AND MATERIAL EFFECT ON EACH MAYOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the President of the Puerto Rico Planning Board

### Compliance

We have audited the Puerto Rico Planning Board compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2010. The Puerto Rico Planning Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Puerto Rico Planning Board's management. Our responsibility is to express an opinion on the Puerto Rico Planning Board's compliance based on our audit.

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

In our opinion, the Puerto Rico Planning Board 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, 2010. However, the results of our auditing procedures also disclosed an instance 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 item 10-02, 10-03, 10-04.

Internal Control over Compliance

The management of the Puerto Rico Planning Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Puerto Rico Planning Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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 to 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 Puerto Rico's Planning Board 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 a combination of deficiencies, in internal control over compliance, such 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.

Our consideration on 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-02, 10-03, 10-04.

The Board'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 Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of 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.

December 29, 2010

*Aquino, De Cordova, Alfaro & Co. LLP*

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has been affixed to the  
original report



**Aquino, De Córdoba, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**I. Summary of Audit Results**

*Financial Statement*

- a. Type of auditor's report issued: *unqualified*
- b. Internal control over financial reporting:
- Material weakness (es) identified?  yes  no
  - Significant deficiency (ies) identified that is (are) not considered to be Material weakness (es)?  yes  no
- c. Noncompliance material to the financial statement noted?  yes  no

*Federal Awards*

- a. Internal control over mayor programs:
- Material weakness (es) identified?  yes  no
  - Significant deficiency (ies) identified that is (are) not considered to be Material weakness (es)?  yes  no
- b. Type of auditors' report issued on compliance for mayor programs: *unqualified*
- c. reported in accordance with section 510 (a) of OMB Circular A-133?  yes  no
- d. The program tested as mayor was:
- CFDA 93.630- Developmental Disabilities Basic Support and Advocacy Grants
- e. The threshold for distinguishing Types A and B programs \$500,000
- f. The Puerto Rico Planning Board was determined to be a high-risk auditee.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

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

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**II. FINANCIAL STATEMENT FINDINGS:**

**10-01 Financial Management — Accounting System and Reporting Practices**

*Criteria:*

As stated in 45CFR Part 92.20, Subpart C — Standards for Financial management System: (b) The financial management system of other grantees and sub-grantees must meet the following standards:

(2) Accounting records: Grantees and sub-grantees 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, un-obligated balances, assets, liabilities outlays or expenditures and income.

*Condition:*

The accounting records did not identify any record or disclose information related to the funds, assets and liabilities.

*Cause:*

The Board's accounting system does not provide to maintain records of funds, assets and liabilities. The Board's funds are, by law, under custody and control of the Secretary of the Treasury and are also accounted for in the Commonwealth's Central Government Accounting Systems (CGAS).

*Effects:*

The Board does not have a complete set of financial information that could affect the decision making process.

*Recommendation:*

The Board needs to develop an integrated accounting system that provides complete financial information.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

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

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**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:**

**APPLICABLE TO CFDA NO. 93.630 — STATE DEVELOPMENTAL DISABILITIES  
COUNCIL GRANT**

**10-02 Cash Management**

*Criteria:*

According to 45CFR Part 92.20, Subpart C — Standards for Financial management System: (b) The financial management system of other grantees and sub-grantees must meet the following standards:

(7) Cash management: Procedures for minimizing the time elapsing between the transfer of funds from U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used. When advances are made by letter of credit or electronic transfer of funds method the grantee must make draw downs as close as possible to the time making disbursements.

In addition and according to a letter dated June 14, 2007 from Department of Health & Human Services - DHHS (Division of Payment Management), the time elapsing between transfer of funds and the disbursements should not be exceed 10 days.

*Condition:*

Our audit procedures disclosed that the average time elapsed between the transfer of funds and the disbursement was 35 days.

*Cause:*

It takes the Puerto Rico Treasury Department (PRTD), after the Board submits a receipt voucher to PRTD, 5 to 15 days to process the receipt vouchers submitted by the Board and 7 additional days to process the disbursements. We also noted a draw down with 135 days between payment and petition of funds.



COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD

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

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III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

APPLICABLE TO CFDA NO. 93.630 — STATE DEVELOPMENTAL DISABILITIES  
COUNCIL GRANT- (CONTINUED)

**10-02 Cash Management - Continued**

*Effect:*

The Board did not comply with the federal regulations applicable to cash management.

*Recommendation:*

The Board needs to improve the draw downs and disbursement procedures to reduce the average time elapsing between transfer of funds and the disbursements, to a time that is no more than 10 days, as required by DHHS.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

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

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**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED**

**APPLICABLE TO CFDA NO. 93.630 — STATE DEVELOPMENTAL DISABILITIES**

**COUNCIL GRANT- CONTINUED**

**10-03 Reporting- Financial and Cash Transaction Reports**

*Criteria:*

As stated in 74CFR 74.52 (1) (i) The HHS awarding agency require recipients to use either the SF-269 (long form) or SF-269A to report the status of funds for all nonconstruction projects or programs. The SF-269 shall always be used if income has been earned. The awarding agency may, however, waive the SF-269 or SF-269A requirement when the PMS-270, request for Advance or Reimbursement, or PMS 272, Report of Federal Cash Transactions, will provide adequate information to meet its needs, except that a final SF-269 pr SF-269A shall be required at the completion of the project when the PMS-270 is used only for Advances.

(iv) Recipients shall submit the SF-269 and SF-269A (an original and two copies) no later than 30 days after the end of each specified period for quarterly and semi-annual reports, and 90 days calendar for annual and final reports. Extensions of reporting due dates may be approved by the HHS awarding agency upon request of the recipients.

2(i) When funds are advanced to recipients, the HHS awarding agency requires each recipient to submit the PMS-272 and, when necessary, its continuation sheet, PMS 272A though G. The HHS awarding agency uses this report to monitor cash advanced to monitor cash advanced to recipients and to obtain disbursement information for each agreements with recipients.

(iii) Recipients shall submit the original and two copies of the PMS 272 15 days calendar following one of each quarter. The HHS awarding agency may require a monthly report from those recipients' receiving advances totaling \$1 million or more per year.

*Condition:*

The Puerto Rico Planning Board failed to submit to HHS the PMS-272 and SF-269 for the following grant awards No. 75-7-1536, 75-9-1536 and 75-0-1536 during the fiscal year ended June 30, 2010.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

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

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**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED**

**APPLICABLE TO CFDA NO. 93.630 — STATE DEVELOPMENTAL DISABILITIES**

**COUNCIL GRANT**

**10-03 Reporting - continued:**

*Cause:*

Lack of internal control in relation to reporting requirements by the Puerto Rico Planning Board Finance Department.

*Effect:*

Noncompliance with the reporting requirements could lead to significant administrative actions by the grantor; including reduction in amounts to be awarded. In addition, it prevents the grantor to monitor performance of the program and could be interpreted as a failure to achieve program objectives.

*Recommendation:*

The Board should review its accounting practices and policies to provide for the time preparation and filling of the financial reports. Also, we recommend the Board to provide training to the parsons that, prepare, review, and approve the financial report to ensure that the report is submmited on a timely basis.



COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD

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

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III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

APPLICABLE TO CFDA NO. 93.630 — STATE DEVELOPMENTAL DISABILITIES

COUNCIL GRANT- CONTINUED

10-04 Sub Recipient Monitories

*Criteria:*

As Stated in 45CFR Part 92.40(a): Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee must monitoring must cover each program, function or activity.

As stated in 45CFR Part 92.26(a): *Basic Rule* Grantees and subgrantees are responsible for obtaining audits in accordance with the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) and revised OMB Circular A-133, "Audits of States and Local Governments, and Non-profit Organizations." The audits shall be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits

*Condition:*

As per audit procedures performed to a sample of 7 subgrantee contacts amounting to \$1,408,089, we observed the following:

a. The Program performed the Technical Assistance Visit (first visit) after the due date for the following contract number

<u>Contract Number</u>	<u>Due Date</u>	<u>Date of Visit</u>	<u>Days Elapsed</u>
2010-000030	3/21/2010	3/30/2010	17

b. For 3 of the 7 contracts examined we could not determine if the council assessed whether that sub-grantees have met the audit requirements of the Single Audit Act Amendments of 1996.



**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

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

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**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED**

**APPLICABLE TO CFDA NO. 93.630 — STATE DEVELOPMENTAL DISABILITIES  
COUNCIL GRANT- CONTINUED**

**10-04 Sub Recipient Monitories (continued)**

*Effect:*

The Board could not detect any audit findings issued to subrecipients and ensured appropriate and timely corrective actions.

*Recommendation:*

The Board should establish policies for ensuring timely visits and monitoring process to subrecipients. The Board should ensure that all subrecipients meet audit requirements of the Single Audit Act Amendments of 1996 by obtaining the subrecipient audited financial statements.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO PLANNING BOARD**

STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

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Finding Number	Finding Description	Questioned Costs	Status
<b>Accounting and Finance Department</b>			
09-01	Financial Management- Accounting and Reporting Practices	-	Situation Still Prevails. Refer to Finding 10-01 and related Corrective Action Plan.
<b>CFDA 93.630 Developmental Disabilities Basic Support and Advocacy Grants</b>			
09-02	Cash Management	-	Situation stills prevails. Refer to Finding 10-02 and related Corrective Action Plan



**CORRECTIVE ACTION PLAN**



**Aquino, De Córdova, Alfaro & Co., LLP**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**CORRECTIVE ACTION PLAN  
FOR THE SINGLE AUDIT REPORT OF FISCAL YEAR 2010  
AND THE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 10-01**

Financial Management - Accounting System and Reporting Practices

Corrective Action

The Board expects the final decision from the Treasury Department by March 2011, and then we start the implementation of the new system.

**FINDING NUMBER 10-02**

Cash Management

Corrective Action

With the application of the Law Number 7 in the Puerto Rico Government, the Board lost the technical personnel that works with the federal awards. This action cause the Board did not comply with the federal regulations applicable to cash management. Since September, 2010 we hired back some personnel with the experience in federal awards, so this finding will be address accordingly with the federal regulations.

**FINDING NUMBER 10-03**

Reporting - Financial and Cash Transaction Reports

Corrective Action

With the application of the Law Number 7 in the Puerto Rico Government, the Board lost the technical personnel that works with the federal awards. This action causes the noncompliance with the reporting requirements. Since September, 2010 we hired back some personnel with the experience in federal awards, so this finding will be address accordingly with the federal regulations.

**FINDING NUMBER 10-04**

Sub Recipients Monitories

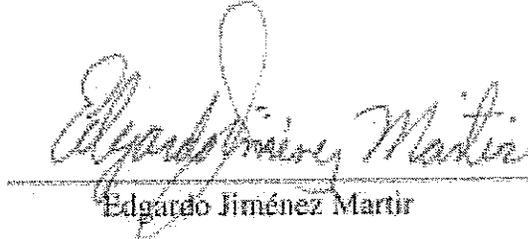
Corrective Action

Although the Council, in its quest of achieving the best sub-recipient monitoring has made some changes and added new procedures to the monitoring systems, sometimes external situations out our control occur. Among these procedures are the meetings among the technical personnel and the Executive Director the second Tuesday of every month. During these meetings the Executive Director and technical personnel update the Project Status Report, schedule visits and discuss the status of every project or report due.

The Council on all its Contract's Second Clause requests a Single Audit Report to all sub grantees who receive \$500,000 or higher as required by federal statutes and regulation. The Council during the proposal evaluation, previous to the Contract award, requests the financial statements to all sub grantees requesting funds. At the time, the Council has revised each contract file and added the last financial statement available.



Leslie Hernández Crespo  
Interim President



Edgardo Jiménez Martir



Myrámne Z. Roa Méndez  
Executive Director  
Developmental Disabilities Council