

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2011

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SINGLE AUDIT REPORT

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Honorable Emilio Díaz Colón
Superintendent
Puerto Rico Police
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying Statement of Receipts and Disbursements (the Statement) of the Puerto Rico Police of the Commonwealth of Puerto Rico (the PRP) for the year ended June 30, 2011. This Statement is the responsibility of the PRP's management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement's presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the Statement, the PRP prepares its Statement of Receipts and Disbursements on a receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly, in all material respects, the receipts and disbursements of the Puerto Rico Police of the Commonwealth of Puerto Rico for the year ended June 30, 2011, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued our report dated February 28, 2012, on our consideration of the PRP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Honorable Emilio Díaz Colón
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our audit was conducted for the purpose of forming an opinion on the PRP's Statement of Receipts and Disbursements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 Statement of the PRP. 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 Statement. The information has been subjected to the auditing procedures applied in the audit of the Statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Statement or to the Statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the Statement as a whole.

As discussed in Note 7 to the Statement, the PRP has expended certain federal grant funds in a manner that may have violated certain of the restrictive provisions of the related grants. The possible outcome of this matter is uncertain at this time. If expenditures are disallowed as a result of this situation, the PRP may be subject to possible federal claims for refunds of grants monies.

Torres Humpart, Sánchez Ruiz LLP

February 28, 2012
License No. 221
San Juan, Puerto Rico

The stamp number 2622722 was
affixed to the original of this report.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2011**

<u>Program</u>	<u>State funds</u>		<u>Federal funds</u>		<u>(Totals Memorandum only)</u>	
	<u>Receipts</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Receipts</u>	<u>Disbursements</u>
Management and Administration	\$ 41,185,166	\$ 43,726,966			\$ 41,185,166	\$ 43,726,966
Security and Watch of Public						
Housing	19,706,000	19,579,881	\$ 592,810	\$ 1,903,964	20,298,810	21,483,845
FURA	18,532,443	18,676,881	790,551	790,551	19,322,994	19,467,432
Criminal Investigation	90,630,135	90,608,449	7,682,951	5,316,932	98,313,086	95,925,381
Human Resources	16,247,216	16,614,489			16,247,216	16,614,489
Community Relations	7,476,118	7,497,292		7,491	7,476,118	7,504,783
Auxiliary Service of Operations	22,919,322	23,254,889			22,919,322	23,254,889
Police Watch	491,143,683	493,403,884	544,007	412,694	491,687,690	493,816,578
Governors' Security	3,362,439	3,380,210			3,362,439	3,380,210
911 Emergency Service	9,622,421	9,622,421			9,622,421	9,622,421
Drug Free Zone	7,544,000	7,544,000			7,544,000	7,544,000
Control and Supervision of Transit	36,511,057	36,516,096	798,690	1,859,911	37,309,747	38,376,007
Special Accounts	56,660,074	41,684,871			56,660,074	41,684,871
	<u>\$821,540,074</u>	<u>\$ 812,110,329</u>	<u>\$ 10,409,009</u>	<u>\$ 10,291,543</u>	<u>\$ 831,949,083</u>	<u>\$ 822,401,872</u>

See accompanying notes to statement of receipts and disbursements.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

NOTES TO STATEMENT OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Puerto Rico Police (the PRP) is an agency of the Commonwealth of Puerto Rico governed by Law No. 53 of June 10, 1996, as amended. The PRP was created to protect persons and property, to maintain and keep the public order, to observe and secure the protection of the civil rights of the citizens, to prevent discrimination and persecute crime and enforce obedience to the laws and municipal ordinances. The Police Superintendent is appointed by the Governor of the Commonwealth of Puerto Rico.

Basis of presentation

The accounts of the PRP are organized on the basis of two fund types: state funds and federal funds. The PRP maintains appropriations for several individual state and federal funds within each fund type. As more fully explained in the section "Basis of Accounting" below, each fund is accounted for with a set of accounts which include only receipts and disbursements. No balance sheet accounts are reported. The individual funds account for the governmental resources allocated to them for purposes of carrying on specific activities in accordance with laws, regulations and other restrictions. State funds are appropriated by the Legislature of the Commonwealth of Puerto Rico and are the funds through which most functions typically are financed. Federal funds reflect the federal financial assistance managed by the PRP from programs funded by the Federal Government.

The individual funds included in these fund types are classified in the following programs:

Management and Administration - This fund is used to account for resources and expenditures related to the supervision and coordination of all services and operation of central level to each police commandance around the island.

Security and Watch of Public Housing - This fund is used to account for resources and expenditures related to watch service and security of public housing projects to prevent and eliminate groups dedicated to the traffic of drugs and other criminal activities on those public facilities.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

**NOTES TO STATEMENT OF RECEIPTS
AND DISBURSEMENTS (CONTINUED)**

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

FURA - This fund is used to account for the resources and expenditures related to the establishment of quick action plans in the terrestrial area, aviation and coast to identify, intercept and confiscate airplanes and boats that try to enter Puerto Rico's coasts. These activities work in coordination with the Federal Custom, the Drug Enforcement Administration, the Coast Guard, the Federal Aviation and the United States Air Force.

Criminal Investigation - This fund is used to account for resources and expenditures related to the investigations of drug trafficking and the use of drugs, organized crime, carjacking, fires and the use of illegal explosives, and Type I and other offenses.

Human Resources - This fund is used to account for resources and expenditures for administrative services of selection, training and professional development of the personnel of the PRP.

Community Relations - This fund is used to account for resources and expenditures related to the coordination between the Police Force and the community to develop activities by establishing communication with citizens' groups and organizations to expand the collaboration in the security programs and public watch.

Auxiliary Service of Operations - This fund is used to account for resources and expenditures related to auxiliary activities and complementary police services directed to fight the criminal incidence and to administer the laws and regulations for the issuance of good behavior certificates, licenses and permits for use of guns and private detective schools.

Police Watch - This fund is used to account for resources and expenditures related to services for watching and protecting the security of the community.

Governor's Security - This fund is used to account for resources and expenditures related to security services and protection of the current and previous governors, their families, and the Luis Muñoz Marin Foundation.

911 Emergency Services - This fund is used to account for resources and expenditures related to the regulation, direction and administration of the emergency service calls to attend the services requested for emergencies.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE

NOTES TO STATEMENT OF RECEIPTS
AND DISBURSEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Drug Free Zone - This fund is used to account for resources and expenditures related to the program responsible for the prevention, protection and attention of the health, security, and welfare of the schools' students and personnel.

Control and Supervision of Transit - This fund is used to account for resources and expenditures to maintain public order, prevent accidents, and maintain an adequate level of security in the public highways.

Special Accounts - This fund is used to account for resources or funds that are deposited for specific purposes in accordance with its applicable laws. They may come from service fees, donations from citizens and private entities, other collections from governmental entities, and authorizations by the Legislature of the Commonwealth of Puerto Rico, which are designed to attain specific purposes. The expenditures charged to these accounts are authorized by legislation previously approved.

Basis of accounting

The PRP follows a receipts and disbursements method of accounting to account for all funds administered. Under this method, cash or funds transferred-in are recognized as revenues when received, and expenditures are recognized when funds are disbursed or transferred-out. Therefore, the Statement of Receipts and Disbursements is not intended to present the PRP's results of operations in accordance with generally accepted accounting principles in the United States of America.

Budgetary accounting

Formal budgetary accounting is employed as a management control tool for all funds of the PRP. Annual operating budgets are adopted each fiscal year through passage of an annual budget which is approved by the Legislature of the Commonwealth of Puerto Rico and amended as required throughout the year. Effective June 30, 2001, all unencumbered budget appropriations of state funds lapse after the end of each fiscal year.

The Statement of Receipts and Disbursements is presented at the programmatic level. However, budgetary control and accounting is exercised at a lower level to provide management with detailed control over expenditures at the appropriate budget level.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

**NOTES TO STATEMENT OF RECEIPTS
AND DISBURSEMENTS (CONTINUED)**

YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Totals memorandum only

The totals memorandum only columns are presented only to facilitate additional analysis. These columns represent a summation of the combined receipts and disbursements. Consequently, amounts shown in these columns are not comparable to a consolidation and do not represent the total receipts and disbursements of the PRP.

Subsequent events

Management has evaluated subsequent events through February 28, 2012, the date the financial statement was available to be issued.

2. FUND ADVANCES

The PRP receives fund advances from the Treasury Department of Puerto Rico (PRDT) for the interim financing of federal programs, as authorized by Law No. 21 from the year 1979. This Law establishes that all fund advances made will be reimbursed to the General Fund of the State's Treasury as soon as the corresponding federal funds are received. During the fiscal year ended June 30, 2011, the total payments made by the PRP of the funds previously advanced by the PRDT were \$877,928.

3. RETIREMENT PLANS

All full-time employees are covered, and must participate in the employee retirement plan administered by the Employees' Retirement System of the Government of Puerto Rico and its instrumentalities, which is a cost-sharing multiple employer plan. Employees must contribute 5.775% for the first \$550 of their monthly gross salary and 8.275% for the salary in excess of \$550. The PRP contributes 9.275% of total gross salaries. Total contributions made to the pension plan during the year ended June 30, 2011, amounted to \$45,488,359.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

**NOTES TO STATEMENT OF RECEIPTS
AND DISBURSEMENTS (CONTINUED)**

YEAR ENDED JUNE 30, 2011

4. COMPENSATED ABSENCES

The employees of the PRP are classified as either civil or force personnel. All employees accrue regular vacation and sick leave at 2.5 days and 1.5 days per calendar month, respectively. The allowed maximum number of accumulated days of regular vacation and sick leave is 60 days and 90 days, respectively.

During fiscal year 1997-98, the Legislature of the Commonwealth of Puerto Rico amended the Public Service Personnel Law to allow certain component units and the executive agencies of the Commonwealth to pay annually the accrued vacations and sick leave earned in excess of the limits mentioned above.

5. TERMINATION BENEFITS

On July 2, 2010, the Commonwealth enacted Act No. 70 to establish a program that provides benefits for early retirement or economic incentives for voluntary employment termination to eligible employees, as defined, including employees of the PRP. Act No. 70 established that early retirement benefits will be provided to eligible employees that have completed between 15 to 29 years of credited service in the Retirement System and will consist of biweekly benefits ranging from 37.5% to 50 % of each employees' salary, as defined. In this early retirement benefit program, the PRP will make the employee and the employer contributions to the Retirement System and pay the corresponding pension until the employee complies with the requirements of age and 30 years of credited service in the Retirement System. Economic incentives are available to eligible employees who have less than 15 years of credited service in the Retirement System or who have at least 30 years of credited service in the Retirement System and the age for retirement or who have the age for retirement. Economic incentives will consist of a lump-sum payment ranging from one-month to six-month salary based on employment years. For eligible employees that choose the economic incentives and have at least 30 years of credited service in the Retirement System and the age for retirement or have the age for retirement, the PRP will make the employee and the employer contributions to the Retirement System for a five year period. Additionally, eligible employees that choose to participate in the early retirement benefit program or that choose the economic incentive and have less than 15 years of credited service in the Retirement System are eligible to receive health plan coverage for up to 12 months in a health plan selected by management of the PRP.

The total number of employees who were voluntary terminated was 24. As of June 30, 2011, the total amount of termination benefits paid was \$524,357. This amount was not discounted since was paid within the current fiscal year.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

**NOTES TO STATEMENT OF RECEIPTS
AND DISBURSEMENTS (CONTINUED)**

YEAR ENDED JUNE 30, 2011

6. COMMITMENTS

Operational Leases - The PRP is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, neither the assets nor the liabilities of the lease agreements are reflected in the accounting records. Most of the real property is leased from the Puerto Rico Public Buildings Authority, a component unit of the Commonwealth of Puerto Rico.

Rent paid during the fiscal year ended June 30, 2011, under these lease agreements amounted to approximately \$23.9 million. Information of the future minimum rental payments required under operating leases was not available.

7. CONTINGENCIES

Litigation - The PRP is defendant in lawsuits arising in the normal course of operations, principally from claims for alleged violation of civil rights and discrimination in employment practices. According to the laws of the Commonwealth of Puerto Rico, the PRP is fully represented by the Puerto Rico Department of Justice in defense of all legal cases against the PRP. 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 PRP.

Federal Awards - The PRP participates in a number of federal financial assistance programs funded by the federal government. Expenditures financed by these programs are subject to financial and compliance audits by the appropriate grantors or their representatives. If expenditures are disallowed due to noncompliance with grant program regulations, the PRP may be required to reimburse the grantors for such expenditures.

The Report on Compliance with Requirements Applicable to Each Major Federal Award Program and on Internal Control over Compliance in Accordance with OBM Circular A-133 for the year ended June 30, 2011, disclosed several instances of noncompliance with applicable laws and regulations that were considered significant deficiencies. Some of these significant deficiencies were also considered material weaknesses.

8. PAYROLL BANK ACCOUNT OVERDRAFT

The Special Payer submits, on a monthly basis, a request of funds based on payroll expenditures of the previous month. The PRP has a service contractor that determines actual payroll related expenditures. Once such expenditures are determined, the Special Payer authorizes the Government Development Bank (GDB) to transfer such amount to

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

**NOTES TO STATEMENT OF RECEIPTS
AND DISBURSEMENTS (CONTINUED)**

YEAR ENDED JUNE 30, 2011

8. PAYROLL BANK ACCOUNT OVERDRAFT (CONTINUED)

the service contractor, who performs the payroll processing and related payment procedures.

As of June 30, 2011, the overdraft of the Special Payer payroll bank account amounted to \$18,106,024, since in prior years the cumulative payroll expenditures were greater than the cumulative amount of funds requested plus the monthly interest charges made by the bank for the outstanding overdraft balance. The expenditures related to the bank overdraft are recorded in the accounting records once the Special Payer receives the funds to repay such bank overdraft. Total interest charges for the fiscal year ended June 30, 2011 amounted to \$956,340. During the fiscal year ended June 30, 2011, the total amount of funds transferred for payment of the interest incurred and principal balance were \$3,046,557. There is no repayment agreement between PRP and GDB.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Federal Expenditures
CASH ASSISTANCE:		
<u>U.S. Department of Housing and Urban Development / Pass through the Puerto Rico Public Housing</u>		
Public Housing Capital Fund	14.872	\$ <u>1,903,964</u>
<u>U.S. Department of Justice / Direct Program</u>		
FBI – Criminal Investigation Task Force	16.XXX	495,998
Drug Enforcement Administration	16.XXX	994,366
US Marshall Service Task Force	16.XXX	<u>71,675</u>
		<u>1,562,039</u>
<u>U.S. Department of Justice / Pass through the Procurement for Woman Office of Puerto Rico</u>		
Stop Violence Against Woman	16.588	403,016
Stop Violence Against Woman – Recovery Act	16.588	<u>9,678</u>
		<u>412,694</u>
<u>U.S. Department of Justice / Pass through the Municipality of San Juan</u>		
Project Safe Neighborhood	16.609	<u>18,892</u>
<u>U.S. Department of Justice / Pass through the Puerto Rico Department of Justice</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	277,963
Edward Byrne Memorial Justice Assistance Grant Program - Recovery Act	16.803	<u>2,950,669</u>
		<u>3,228,632</u>

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**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
CASH ASSISTANCE (CONTINUED):		
<u>U.S. Department of Justice / Pass through the Interamerican University of Puerto Rico</u>		
Anti-Gang Initiative Program	16.744	\$ <u>75,733</u>
<u>U.S. Department of Transportation / Pass through the Commission for Security of Transit of Puerto Rico</u>		
State and Community Highway Safety	20.600	<u>1,859,911</u>
<u>U.S. Department of the Treasury / Direct Program</u>		
Internal Revenue Service Task Force	21.XXX	<u>10,419</u>
<u>U.S. Department of Health and Human Services / Direct Program</u>		
Food and Drug Administration–Criminal Investigation Task Force	93.XXX	<u>748</u>
<u>U.S. Department of Homeland Security / Direct Program</u>		
US Immigration Custom Enforcement Task Force	97.XXX	108,016
National Explosive Detection Canine Team Program	97.072	168,516
Port Security Grant Program – Recovery Act	97.116	<u>790,551</u>
		<u>1,067,083</u>

(continue)

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2011

Federal Grantor / Pass-Through Grantor/ <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
CASH ASSISTANCE (CONTINUED):		
<u>U.S. Department of Homeland Security / Pass through the Puerto Rico State Agency of Emergency and Disaster Administration</u>		
Citizen Corps	97.053	7,491
Homeland Security Grant Program	97.067	<u>79,737</u>
		<u>87,228</u>
<u>U.S. Postal Investigation / Direct Program</u>		
United State Postal Investigation Service Task Force	Unknown	<u>64,200</u>
		<u>\$ 10,291,543</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Torres Rompart, Sánchez Ruiz LLP

Certified Public Accountants and Business Consultants

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Puerto Rico Police of the Commonwealth of Puerto Rico (the PRP) under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of 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 PRP, it is not intended to and does not support to present the financial position, changes in net assets, or cash flows of the PRP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Expenditures reported on the Schedule are reported on the receipts and disbursements method of accounting. It is drawn primarily from the PRP's internal accounting records, which are the basis for the PRP's Statement of Receipts and Disbursements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Pass-through entities identifying numbers were not available.
- c. The titles of federal awards included in the Schedule are presented as described in the Catalog of Federal Domestic Assistance. The titles of federal programs that are not included in the Catalog are identified by the grantor federal agency's number followed by ".XXX".

3. RELATIONSHIP TO THE STATEMENT

Expenditures included in the Schedule agree with the amounts included in the accompanying Statement of Receipts and Disbursements.



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Honorable Emilio Díaz Colón
Superintendent
Puerto Rico Police
San Juan, Puerto Rico

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the Statement of Receipts and Disbursements (the Statement) of the Puerto Rico Police of the Commonwealth of Puerto Rico (the PRP) for the year ended June 30, 2011, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report on the Statement discloses that, as described in Note 1 to the Statement, the PRP prepares its Statement on the receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Internal Control over Financial Reporting (continued)

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 PRP's Statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 11-01 and 11-02 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings No. 11-03, 11-04 and 11-08 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PRP's Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings No. 11-04 through 11-10.

We also noted certain other matters that we reported to management of the PRP in a separate letter dated February 28, 2012.

The PRP's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the PRP's response and, accordingly, we express no opinion on it.

Honorable Emilio Díaz Colón
Superintendent
Puerto Rico Police
San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Compliance and Other Matters (continued)

This report is intended solely for the information and use of the management and officials of the Puerto Rico Police, the Commonwealth of Puerto Rico, federal awarding agencies, pass-through entities, and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Torres Blompart, Sánchez Ruiz LLP

February 28, 2012
License No. 221
San Juan, Puerto Rico

The stamp number 2622723 was
affixed to the original of this report.



Torres Llompart, Sánchez Ruiz LLP

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Honorable Emilio Díaz Colón
Superintendent
Puerto Rico Police
San Juan, Puerto Rico

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Division of CPA Firms
American Institute Certified Public Accountants
New York State Society of Certified Public Accountants
Puerto Rico State Society of Certified Public Accountants
*Also admitted in the State of Florida
Admitted in the State of New Jersey

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Puerto Rico Police of the Commonwealth of Puerto Rico (the PRP) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The PRP'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 PRP's management. Our responsibility is to express an opinion on the PRP'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 PRP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the PRP's compliance with those requirements.

As described in Findings No. 11-04 through 11-08 in the accompanying schedule of findings and questioned costs, the PRP did not comply with the requirements that are applicable to its major programs, as follow:

San Juan, PR
PO Box 270233
San Juan, PR 00927-0233
Phone: (787) 758-4620
Fax: (787) 764-7385

Manhattan, NY
PO Box 850, Bowling Green Station
New York, NY 10274
Phone: (646) 214-1064
Fax: (917) 591-8701

Dominican Republic
12 John F. Kennedy Ave.
Antonio Barletta Building
Ens. Miraflores, Santo Domingo 18
Phone: (809) 566-9094

Honorable Emilio Díaz Colón
 Superintendent
 Puerto Rico Police
 San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
 APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Compliance (continued)

<u>Reference Number</u>	<u>Compliance Requirement</u>		<u>Major Program</u>
11-04	Allowable Costs / Cost Principles	CFDA 14.872 CFDA 16.XXX CFDA 16.588 CFDA 16.738/ CFDA 16.803 CFDA 97.116	Public Housing Capital Fund, Department of Justice Task Forces, Stop Violence Against Women, Edward Byrne Memorial Justice Assistance Program, and Port Security Grant Program - Recovery Act.
11-05, 11-06	Cash Management	CFDA 16.588 CFDA 97.116	Stop Violence Against Women, and Port Security Grant Program - Recovery Act.
11-07	Equipment and Real Property Management	CFDA 16.588 CFDA 16.738/ CFDA 16.803 CFDA 20.600 CFDA 97.116	Stop Violence Against Women, Edward Byrne Memorial Justice Assistance Program, State and Community Highway Safety, and Port Security Grant Program - Recovery Act.
11-08	Period of Availability	CFDA 16.738	Edward Byrne Memorial Justice Assistance Program.
11-04	Procurement, Suspension and Debarment	CFDA 16.738/ CFDA 16.803 CFDA 20.600	Edward Byrne Memorial Justice Assistance Program, and State and Community Highway Safety.

In our opinion, except for the noncompliance described in the preceding paragraph, the PRP complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed another instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as Findings No. 11-09 and 11-10.

Honorable Emilio Díaz Colón
Superintendent
Puerto Rico Police
San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the 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 that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 11-04 through 11-08, and 11-10 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings No. 11-01 through 11-03, and 11-09 to be significant deficiencies.

Honorable Emilio Díaz Colón
Superintendent
Puerto Rico Police
San Juan, Puerto Rico

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

Internal Control Over Compliance (continued)

The PRP's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the PRP's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and officials of the Puerto Rico Police, the Commonwealth of Puerto Rico, federal awarding agencies, pass-through entities, and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Torres, Humpert, Sánchez Ruiz LLP

February 28, 2012
License No. 221
San Juan, Puerto Rico

The stamp number 2622724 was
affixed to the original of this report.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the Statement of Receipts and Disbursements expressed that such statement was prepared using the receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
2. Deficiencies on internal control over financial reporting were identified, two (2) of which were considered material weaknesses and three (3) of which were considered significant deficiencies.
3. Deficiencies on internal control over compliance with requirements applicable to major federal award programs were identified, six (6) of which were considered material weaknesses and four (4) were considered significant deficiencies.
4. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed the following opinion on each major program:
 - a. Qualified:

CFDA 14.872	Public Housing Capital Fund
CFDA 16.XXX	Department of Justice Task Forces
CFDA 16.588	Stop Violence Against Women
CFDA 16.738/16.803	Edward Byrne Memorial Justice Assistance Program
CFDA 20.660	State and Community Highway Safety
CFDA 97.116	Port Security Grant Program - Recovery Act
5. The Organization did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.
6. The audit disclosed findings required to be reported under OMB Circular A-133.
7. A threshold of \$308,746 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITORS' RESULTS (CONTINUED)

8. The PRP's major programs were the following:

<u>Name of federal grant</u>	<u>CFDA number</u>	<u>Questioned Costs</u>
Public Housing Capital Fund	14.872	\$ 14,430
Department of Justice Task Forces	16.XXX	12,836
Stop Violence Against Women	16.588	3,939
Stop Violence Against Women – Recovery Act	16.588	-
Edward Byrne Memorial Justice Assistance Program	16.738	39,591
Edward Byrne Memorial Justice Assistance Program – Recovery Act	16.803	22,504
State and Community Highway Safety	20.600	-
State Fiscal Stabilization Fund – Government Services, Recovery Act	84.397	191,625
Port Security Grant Program - Recovery Act	97.116	-
		<u>\$ 284,925</u>

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-01 DIBURSEMENTS – STATE FUNDS

Category

Internal control

Condition found

During the year ended June 30, 2011, the PRP charged expenditures to state programs amounting to \$89,464,723 (excluding \$346,478,033 related to payroll expenditures and transfers to the Special Payers). To test compliance with the state laws and regulations, we selected a sample of 34 charges to state funds that totaled \$37,766,535 (42%). In testing compliance and internal controls over allowability and procurement requirements for state funds, we noted the following exceptions:

1. The supporting documents examined for the payment voucher 11006563 did not indicate all the services provided by the supplier. Therefore, the transaction was approved for payment without an assurance that the supplier performed the activities agreed as per the related quote. The costs related to this case amounted to \$15,995.
2. No report of work performed for the payment voucher 11007341 was provided for examination and no documents were provided that indicated that the PRP personnel verified that the supplier performed all the activities and complied with the requirements indicated in the Request for Quote. Also, after review of the contract, the PRP did not require the supplier such report. Therefore, the transaction was approved for payment without the assurance that the service was provided as agreed. . The costs related to this case amounted to \$63,490.

Criteria

Article VI, Section 9 of the Constitution of the Commonwealth of Puerto Rico states that the use of property and public funds will be used only for public activities and for the management and operation of the institutions of the Commonwealth, and only under authority of law.

Law 230 dated July 23, 1974, as amended, known as “Accountancy Law of the Government of Puerto Rico”, establishes the public policy as to the control and accounting of the public funds and property.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-01 DIBURSEMENTS - STATE FUNDS (CONTINUED)

Effect

The exceptions mentioned above resulted in inadequately supported charges to the state funds amounting to \$79,485. The failure to implement internal control procedures by the PRP, such as thorough managerial review, which should detect and correct, on a timely basis, instances where controls are not being followed and could elevate the control risk to an unacceptable level.. Also, the lack of review of payments could result in noncompliance and/or misuse of state funds.

Recommendations

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

- Establish and implement written policies and procedures, including controls for the proper review and authorization before and during the processing and payment of PRP expenditures. Payment documents and related supporting documentation shall be thoroughly reviewed before they are recorded and processed for payment.
- Payment vouchers shall be properly authorized by the respective PRP representatives and should be supported with the required documentation.
- The PRP shall adequately train its personnel as to the importance of maintaining and executing the internal controls and procedures established.
- The PRP should require its personnel to report those instances where no controls or procedures have been established for which the level of control risk could exceed the acceptable level established by the PRP's management

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-02 ACCOUNTING RECORDS

Federal programs

All federal financial assistance programs

Category

Internal control

Compliance requirement

Special tests and provisions

Condition found

During our audit procedures for the fiscal year ended June 30, 2011, we noted the following deficiencies related to the accounting procedures and financial reporting practices of the PRP:

- The Treasury Department of the Commonwealth of Puerto Rico provides accounting services to the PRP through its accounting system (PRIFAS). Such system has inappropriate as well as incomplete month-end and year-end reconciliation and closing procedures which prevent the timely processing of adjustments and financial statements. Many transactions and adjustments are posted after the applicable closing with a retroactive effect since information is not readily available for analysis because of delays in the processing of information through PRIFAS.
- The PRP should improve the filing procedures, communication and coordination to permit the prompt retrieval of documents requested, as further explained in Findings No. 11-03 and 11-04.
- The PRP should improve its internal control and procedures for the recording of federal expenditures. The PRP failed to record or pay some federal expenditures in a timely manner.
- The PRP should improve its internal controls and procedures for the evaluation, analysis and pre-audit of invoices, payment documents, and/or financial transactions. as further explained in Findings No. 11-01 and 11-04.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-02 ACCOUNTING RECORDS (CONTINUED)

Criteria

Sections 20(a) and (b) (1) to (3) and (6) on Subpart C of the OMB Common Rule establish that:

- a. A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - i. Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - ii. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- b. The financial management systems of other grantees and subgrantees must meet the following standards:
 - i. Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - ii. Accounting records - Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - iii. Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - iv. Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-02 ACCOUNTING RECORDS (CONTINUED)

Criteria (continued)

Sections 42(b) (1) and (2) on Subpart C of the OMB Common Rule establish that records must be retained for three years from the starting date. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3 years period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3 years period, whichever is later.

OMB Circular A-87, Attachment A (C) 4a, states that applicable credits for receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs, shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate. Examples of such transactions are: purchase discounts, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

Effect

It is very difficult for the PRP to prepare accurate and timely financial reports because of the limitations on its current accounting system and reporting practices.

Questioned costs

None

Recommendations

The PRP shall revise its accounting practices and policies to provide for an accurate reporting financial system. This will require a sophisticated plan in coordination with the Treasury Department for the implementation of an accounting and financial management system that permits the preparation of accurate financial reports required by the different oversight entities in a timely manner.

The PRP shall emphasize the importance of maintaining an adequate filing system that allows the prompt retrieval of documents and related supporting documentation. The PRP shall plan and implement a mechanized system that permits the efficient filing, tracking and retrieval of filed documents.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-02 ACCOUNTING RECORDS (CONTINUED)

Recommendations (continued)

The PRP shall adequately train its personnel as to the importance of records safeguarding procedures, and the proper coordination and communication for the retrieval of documents when needed.

Additionally, the PRP shall evaluate its internal controls and procedures established for performing the expenditures adjustments related to claims of federal costs to ensure transactions are accounted for in a timely manner. Also, the PRP shall review and/or modify the verification procedures established for the financial transactions in order to timely identify deficiencies or risk of noncompliance over financial transactions.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-03 PERSONNEL FILES AND PAYROLL

Federal programs

All federal financial assistance programs

Category

Internal control

Compliance requirement

Allowable costs / cost principles

Condition found

As part of our audit procedures, we performed a personnel files test to determine if the employee's recruitment conformed to state employment laws and regulations meeting federal merit system. For this test, we selected a random sample of 40 employees' files from which twenty (20) started working for the PRP before 1/1/09 and the other 20 after such date. Our examination of the employees' files revealed that the following documents required by the PRP were missing:

<u>Documents missing</u>	<u>Total files examined</u>	<u>Exceptions noted</u>		<u>Percentage of exceptions</u>
		<u>Amount</u>	<u>Cases before 1/1/2009</u>	
Birth Certificate	40	7	0	17.5%
ASUME Form	40	8	8	20.0%
Corruption Record Verification	40	1	1	2.5%
Certification of Tax return filed (Treasury Dept. Letter 1300-21-02)	40	1	0	2.5%
Employment Eligibility Verification (Form I-9)	40	1	0	2.5%
Salary change form not updated	40	14	14	35.0%
Salary change form prepared after our examination	40	19	4	47.5%
Copy of ID with photo	40	19	11	47.5%
Health Certificate form	40	1	0	2.5%
Withholding Form *	40	15	14	37.5%
Informative Manual Work Area free of Drugs (Law # 101-226)	40	1	0	2.5%
Drug Test	40	23	18	57.5%
Receipt of Governmental Ethic Law	40	1	0	2.5%
Receipt of Sexual Harassment Law	40	5	4	12.5%

*The income tax withholding form is filed by the Payroll Division and such information was not available for examination.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-03 PERSONNEL FILES AND PAYROLL (CONTINUED)

Condition found (continued)

Above conditions are indicative that established procedures are not being followed and consequently, documents required for recruiting purposes have not been always obtained or properly filed.

The PRP's payroll is processed by a private service organization. The PRP's Finance Division obtains a payroll register from the private service organization to record payroll and payroll related expenditures in its accounting records, including journal entries to charge transactions to the federal programs when reimbursements from federal funds are received.

After our tests of controls, we noted the following internal control deficiencies:

- a) During the payroll test, we noted that 32 of the 40 employees selected for testing were paid through direct deposit. However, in 7 of the 32 cases (22%), no evidence was provided of the request and authorization of the employee to participate in the direct deposit system.

- b) From the 25 cases where evidence of the request and authorization of the employee to participate in the direct deposit system were provided, in 4 of the 25 cases (16%), the account indicated in the Direct deposit payment authorization did not match with the account where the payment was deposited.

Criteria

Attachment B, Section 8(a) (2) of the OMB Circular A-87 establishes that the cost of compensation for personnel services is allowable to the extent that it follows an appointment made in accordance with the governmental unit's laws and rules and meets the merit system or other requirements required by federal law, where applicable.

Attachment B, Section 8(h) (1) of the OMB Circular A-87 establishes that charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-03 PERSONNEL FILES AND PAYROLL (CONTINUED)

Criteria (continued)

Section 20 (b) (6) on Subpart C of the OMB Common Rule establishes that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Sections 42(b) (1) and (2) on Subpart C of the OMB Common Rule establish that records must be retained for three years from the starting date. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3 years period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3 years period, whichever is later.

Effect

Incomplete files and personnel not meeting state employment laws and regulations and federal merit system could lead to cost disallowances. Lack of controls over the direct deposits transactions could result in incorrect payments to employees or unauthorized bank accounts. It could also be interpreted as a failure to establish and monitor internal controls over personnel files and payroll transactions.

Recommendations

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

- Develop a comprehensive plan to ensure that all the personnel files are complete in accordance with law.
- File the direct deposit request forms of each employee in the respective file maintained by the Human Resources Department. Such information should be maintained in accordance with the law.
- Establish a procedure to verify and approve the transactions entered in the payroll system by the payroll technicians.
- Perform a review of all the employees that the payroll payment is performed by direct deposit in order to verify if the bank account indicated in the authorization form agree with the bank account included in the payroll system. For those cases that the form is not available, require the employees to complete a new form and/or request a confirmation letter that the account indicated in the payroll system they are the title holder.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-04 DISBURSEMENT TEST

Federal program

CFDA 14.872 Public Housing Capital Fund
 CFDA 16.000 Department of Justice Task Forces
 CFDA 16.588 Stop Violence Against Women
 CFDA16.738/16.803 Edward Byrne Justice Assistance Grants
 CFDA 20.600 State and Community Highway Safety
 CFDA 97.116 Port Security Grant Program – Recovery Act

Category

Compliance / Internal control

Compliance requirements

Allowable costs / cost principles
 Procurement, Suspension and Debarment

Condition found

In testing compliance and internal controls over allowable cost and procurement and suspension and debarment requirements, we selected 46 disbursements from the programs listed below that totaled \$8,035,973. The distribution of these disbursements was as follows:

<u>CFDA No.</u>	<u>Program</u>	<u>Items tested</u>	<u>Sample dollar amount</u>	<u>Program disbursements</u>	<u>Percentage tested</u>
14.872	Public Housing Capital Fund	1	\$ 1,903,925	\$ 1,903,964	99.9%
16.XXX	Department of Justice Task Forces	10	1,421,723	1,654,843	85.9%
16.588	Stop Violence Against Women	7	556,007	793,101*	70%
16.738 / 16.803	Edward Byrne Justice Assistance Grant	20	1,864,948	3,228,632	58%
20.600	State and Community Highway Safety	6	1,498,819	1,859,911	80.5%
97.116	Port Security Grant Program	<u>2</u>	<u>790,551</u>	<u>790,551</u>	<u>100 %</u>
		<u>46</u>	<u>\$ 8,035,973</u>	<u>\$ 10,231,002</u>	<u>79.5%</u>

*Amount excludes the Special Payer liquidation transactions recorded in the cost objective E9050.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-04 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

The legend of the exceptions noted is as follows:

- A. Attendance report not available for examination.
- B. Location indicated in the attendance report does not match the location indicated in the request of funds submitted by the PRP.
- C. Attendance report did not indicate the location where the agent was assigned.
- D. Disbursement documents not available for examination
- E. Disbursement was not properly supported.
- F. Disbursement was not properly authorized.
- G. Funds requested in excess of actual overtime cost as supported by the attendance sheets.
- H. Transaction not charged to the correct cost objective.
- I. Expenditure not charged to the correct grant award.
- J. Suspension and debarment certification or verification was not found.

The exceptions mentioned above are the result of the failure to implement adequate internal control procedures, such as thorough managerial review, which should detect and correct, on a timely basis, instances where controls are not being followed. The exceptions noted under each program during the performance of our tests were as follows:

CFDA 14.872 Public Housing Capital Fund

Date	Amount	Document Number	A	B	C	D	E	F	G	H	I	J	Questioned Costs
1/26/11	\$1,903,925	4021178162	X	X	X								\$ 14,430

1 1 1 0 0 0 0 0 0 0 0 0 0 \$ 14,430

CFDA 16.XXX Department of Justice Task Forces

Date	Amount	Document Number	A	B	C	D	E	F	G	H	I	J	Questioned Costs
3/18/11	278,579.53	4021178320							X				\$ 5,517
5/25/11	182,852.65	4021178509							X				857

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-04 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

CFDA 16.XXX Department of Justice Task Forces (continued)

Date	Amount	Document Number	A	B	C	D	E	F	G	H	I	J	Questioned Costs
4/29/11	\$86,011.20	4021178445							X				\$ 3,502
6/30/11	170,588.88	40A1278012							X				1,188
6/30/11	180,623.52	4021178461							X				1,772

0 0 0 0 0 0 5 0 0 0 \$12,836

CFDA 16.588 Stop Violence Against Women

Date	Amount	Document Number	A	B	C	D	E	F	G	H	I	J	Questioned Costs
7/14/10	\$178,707.33	40780002	X	X									\$ 3,639
11/30/10	20,059.68	40780068		X									300
2/28/11	137,188.22	40780106									X		

1 2 0 0 0 0 0 0 0 1 0 \$ 3,939

CFDA 16.738 / 16.803 Edward Byrne Justice Assistance Grant

Date	Amount	Document Number	A	B	C	D	E	F	G	H	I	J	Questioned Costs
11/30/10	\$36,154.35	11796026						X					\$ 1,500
1/31/11	51,008.18	40796034				X							2,943
5/13/11	78,785.92	40110043					X						51
5/9/11	48,974.72	4021178321										X	
5/31/11	82,382.78	40110048					X	X					3,318
6/30/11	99,447.48	40110052					X	X					14,691

0 0 0 1 3 3 0 0 0 1 \$22,503

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-04 DISBURSEMENT TEST (CONTINUED)

Condition found (continued)

CFDA 20.600 State and Community Highway Safety

Date	Amount	Document Number	A	B	C	D	E	F	G	H	I	J	Questioned Costs
9/17/10	\$52,500.00	11006568										X	
9/23/10	52,500.00	11006569										X	

0 0 0 0 0 0 0 0 0 0 0 2 \$ -

CFDA 97.116 Port Security Grant Program

Date	Amount	Document Number	A	B	C	D	E	F	G	H	I	J	Questioned Costs
4/1/11	\$395,272.63	11008159								X			

0 0 0 0 0 0 0 0 1 0 0 \$ -

Exceptions Total 2 3 1 1 3 3 5 1 1 3 \$ 53,708

Criteria

Sections 20(a) and (b) (1) and (3) to (6) on Subpart C of the OMB Common Rule establish that:

- a. A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - i. Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - ii. Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-04 DISBURSEMENT TEST (CONTINUED)

Criteria (continued)

- b. The financial management systems of other grantees and subgrantees must meet the following standards:
- i. Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - ii. Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - iii. Budget control - Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
 - iv. Allowable cost - Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
 - v. Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

Attachment B, Section 8(h) (1) of the OMB Circular A-87 establishes that charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

Sections 42(b) (1) and (2) on Subpart C of the OMB Common Rule establish that records must be retained for three years from the starting date. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3 years period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3 years period, whichever is later.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-04 DISBURSEMENT TEST (CONTINUED)

Criteria (continued)

Section 35 on Subpart C of the OMB Common Rule establishes that grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, "Debarment and Suspension."

Effect

Above conditions could result in noncompliance with federal regulations and cost disallowances by the grantors.

Questioned costs

\$ 53,708

Recommendations

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

- Establish and implement written policies and procedures for all aspects of the program, including controls for the proper review and authorization during the processing and payment of programs' expenditures.
- Establish and implement written policies and procedures for the evaluation of claims for reimbursement of funds made to grantors or federal agencies that required the review of the supporting documents related to the claim and the accuracy of the amount of funds requested for reimbursement.
- Payment documents and related supporting documentation shall be thoroughly reviewed before they are recorded and processed for payment. All payment vouchers shall be properly authorized by the respective PRP's representatives and shall be supported with all the required documentation.
- Provide adequate training to employees regarding each program requirements and proper disbursement processing and coding procedures.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-04 DISBURSEMENT TEST (CONTINUED)

Recommendations (continued)

- Establish policies and procedures to document the verification procedures for identifying suspended or debarred vendors. It would reduce the risk of noncompliance with federal regulations and cost disallowances by the grantors.
- Establish a monitoring unit to examine and evaluate the PRP transactions as of compliance with programs applicable laws and regulations and follow-up when corrective actions are needed to be implemented.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-05 CASH MANAGEMENT

Federal program

CFDA 16.588 Stop Violence Against Women

Category

Compliance / Internal control

Compliance requirement

Cash management

Condition found

In the grant agreements for the Stop Violence Against Women program, the PRP may request funds under the advance method of funding. From the sample of disbursements mentioned in Finding No. 11-04 (which represents 70% of total funds expended), we examined the funds requests and their receipts. After performing such procedure, we noted that in five (5) of the 7 transactions selected (71%) the days elapsed from the transfer date through the disbursement date was between 29 to 245 days.

Criteria

Part 3 of the Compliance Supplement of the OMB Circular A-133 establishes that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and its disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

Section 20 (b) (7) on Subpart C of the OMB Common Rule establishes that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

31 CFR 205.33 establishes that a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-05 CASH MANAGEMENT

Criteria (continued)

The timing and amount of funds transfers must be as close as it is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management practices in fund transfers to subgrantees in accordance with OMB Circular A-102.

The contract between the Procurement for Women Office of Puerto Rico (PWOPR) and the PRP, under term and condition two (2) establishes that PWOPR authorizes the use of funds granted via a monthly request of funds. The method for financing the program will be the reimbursement method.

Effect

Noncompliance with the above mentioned requirement could lead to administrative actions by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements.

Questioned costs

None

Recommendations

The PRP shall request funds from the grantors only for immediate needs. Whenever payment amounts are adjusted after the funds were requested or received, such excess of cash should be returned immediately to the grantor or federal agency.

Also, the PRP shall train the program's personnel and the budget technician of the program on those federal regulations related to cash management requirements. We recommend the PRP to establish adequate supervision and related procedures to ensure compliance with these requirements.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-06 CASH MANAGEMENT

Federal program

CFDA 97.116 Port Security Grant Program – Recovery Act

Category

Compliance / Internal control

Compliance requirement

Cash management

Condition found

In the grant agreements for the Port Security Program – Recovery Act, the PRP is required to request funds in accordance with 31 CFR 205. From the sample of disbursements mentioned in Finding No. 11-04 (which represents 100% of the total funds expended), we examined the funds requests and their receipt. After performing such procedure, we noted that in both transactions selected (100%) the days elapsed from the transfer date through the disbursement date was between 16 to 21 days.

Criteria

Part 3 of the Compliance Supplement of the OMB Circular A-133 establishes that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and its disbursement. When advance payment procedures are used, recipients must establish similar procedures for subrecipients.

Section 20 (b) (7) on Subpart C of the OMB Common Rule establishes that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

31 CFR 205.33 establishes that a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-06 CASH MANAGEMENT

Criteria (continued)

The timing and amount of funds transfers must be as close as it is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management practices in fund transfers to subgrantees in accordance with OMB Circular A-102.

Effect

Noncompliance with the above mentioned requirement could lead to administrative actions by the grantor. It could also be interpreted as a failure to manage federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements.

Questioned costs

None

Recommendations

The PRP shall request funds from the grantors only for immediate needs. Whenever payment amounts are adjusted after the funds were requested or received, such excess of cash should be returned immediately to the grantor or federal agency.

Also, the PRP shall train the program's personnel and the budget technician of the program on those federal regulations related to cash management requirements. We recommend the PRP to establish adequate supervision and related procedures to ensure compliance with these requirements.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-07 PROPERTY AND EQUIPMENT

Federal programs

CFDA 16.588	Stop Violence Against Women
CFDA16.738/16.803	Edward Byrne Justice Assistance Grants
CFDA 20.600	State and Community Highway Safety
CFDA 97.116	Port Security Grant Program – Recovery Act

Category

Compliance / Internal control

Compliance requirement

Equipment and real estate property management

Condition found

To determine compliance with Equipment and Real Estate Property Management requirements, we obtained an understanding of state's policies and procedures. Then, we performed tests of controls to determine if: a) state's policies and procedures have been complied with; b) established controls are effective; and c) to assess control risk. We made a selection of 10 transactions representing 85% (\$3,221,370) of the total vouchers related to the acquisition of property and equipment (\$3,771,403) for the programs included above. After performing those procedures, we noted the following:

- a. In four (4) of the 10 items examined (40%), the property serial number was not included in the property records.
- b. In ten (10) of the 10 items examined (100%), the property records did not include the acquisition date of the equipment. However, the date of the purchase order was included.
- c. In ten (10) of the 10 items examined (100%), the property records did not include information about the title holder or keeper of the equipment.

From the ten (10) property disbursements for which the property records were provided, we took a sample of 40 items for physical observation. From the sample selected, we noted the following conditions:

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-07 PROPERTY AND EQUIPMENT (CONTINUED)

Condition found (continued)

- d. In two (2) of the 40 items observed (5%), the property was not properly maintained. This condition was related to two (2) vehicles that were out of service because they were involved in accidents. However, in the property record their condition was described as "excellent".
- e. In two (2) of the 40 items observed (5%), the property was not identified with the property number assigned and was not properly safeguarded at the time of our visit.

Internal control

After obtaining an understanding of the state's policies and procedures and performing our tests of controls, we noted the following internal control deficiencies:

- f. The Property Division of the PRP does not maintain an effective property and equipment system from which a current and complete subsidiary ledger can be prepared;
- g. A physical inventory was not taken, at least on an annual basis, as required by applicable regulations;
- h. The Property Division has not designed an effective control to gather the information of the location of the property assigned to each bureau or area; and
- i. Whenever property is acquired with federal funds under the reimbursement method, the PRP does not have effective procedures established to reclassify the purchase made with state funds to federal funds once the reimbursement of federal funds is received. After the expenditure is recognized in the federal program account, the source of funds indicated in the property records should be modified.

Criteria

Section 32 (b) Subpart C of the OMB Common Rule establishes that a State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. In addition, section 32 (d) establishes that procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-07 PROPERTY AND EQUIPMENT (CONTINUED)

Criteria (continued)

- a. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- b. A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- d. Adequate maintenance procedures must be developed to keep the property in good condition.
- e. If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Article XIV of the State's Property Rules and Regulations ("Reglamento #11: "Control y Contabilidad de la Propiedad") sections (A) and (B) establish that the property registers of the agencies should be supported by a physical inventory. The Property Division of the Puerto Rico Treasury Department (PRTD) will establish the date in which the agencies will perform their annual inventory.

Article XIV of the State's Property Rules and Regulations ("Reglamento #11: "Control y Contabilidad de la Propiedad") section (D) establishes that the agencies will prepare the inventory in an electronic form using the SC795 Form, Fixed Assets Physical Inventory. The form SC795 and SC795.1 (Physical Inventory Certification) forms will be sent to the PRTD. The inventory should include the following: (1) description of the property; (2) the acquisition date; (3) cost of the property; (4) property class; (5) property number, and (6) source of funds for the purchase of property.

Article XIV of the State's Property Rules and Regulations ("Reglamento #11: "Control y Contabilidad de la Propiedad") section (G) establishes that once the inventory count is completed, an officer not in charge of the inventory procedures should compare the results with the property records. Differences should be reconciled and property records adjusted, as applicable.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-07 PROPERTY AND EQUIPMENT (CONTINUED)

Effect

The PRP is exposed to the risk of possible unauthorized use and disposition of equipment due to the lack of adequate internal controls and adequate property and equipment records.

Questioned costs

None

Recommendations

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

Also, the PRP shall design and establish reporting procedures that will allow them to maintain in the property registers the correct location of the property at all times. The reporting procedures should allow PRP to maintain the source of funds used to acquire the property even when acquired under the reimbursement method of funding.

Additionally, a physical inventory of all equipment and property shall be performed at least annually and reconciled with the property records. Verification should be made to ascertain that property and equipment is being properly safeguarded and used solely for the authorized purposes.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-08 PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal programs

CFDA 16.738 Edward Byrne Justice Assistance Grant

Category

Compliance / Internal control

Compliance requirement

Period of availability of federal funds

Condition found

To test compliance with the requirements for period of availability of federal funds, we obtained the grant or cooperative agreements and communications with grantor's agencies to identify the awards expiring during the fiscal year ended June 30, 2011. Among other tests, for each award identified, we verified that the underlying obligations occurred within the period of availability and that the liquidation (payment) was made within the allowed time period. After performing these procedures, we noted that in 25 transactions, although the obligations were incurred within the period of availability, the payments were made after the required allowed period. Such obligations amounted to \$39,591.

Criteria

Special condition number 27 of the cooperative agreement with the Puerto Rico Department of Justice (PRDOJ) establishes that after the termination of the cooperative agreement every project will have 45 days for the payment of the incurred obligations and the return of available funds to PRDOJ.

Effect

The PRP is exposed to penalties and sanctions from the grantor due to noncompliance with this requirement, including returning to the grantor the amount of funds involved or denied a reimbursement.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

**FINDING NO. 11-08 PERIOD OF AVAILABILITY OF FEDERAL FUNDS
(CONTINUED)**

Questioned costs

\$ 39,591 CFDA 16.738 Edward Byrne Justice Assistance Grant

Recommendations

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

- a. The budgetary process considers period of availability as to obligation and disbursement of federal funds and provide for the identification and communication of cut-off requirements;
- b. The accounting system prevents obligations or expenditures of federal funds outside the period of availability through the review of disbursements by persons knowledgeable of period of availability requirements, specially just before and after cut-off dates;
- c. The timely identification and communication of period of availability requirements and expenditure deadlines to individuals responsible for program expenditure, including automated notifications of pending deadlines;
- d. The periodic reporting of budgeted and actual expenditures and unliquidated balances to appropriate levels of management for its review before and after cut-off dates; and
- e. The timely processing of requests for extensions of the due dates. The PRP shall request from the grantor approval for liquidating obligations after its liquidation deadline to prevent future instances of noncompliance.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-09 REPORTING

Federal programs

CFDA 16.588	Stop Violence Against Women
CFDA 16.738	Edward Byrne Memorial Justice Assistance Grant
CFDA 16.803	Edward Byrne Memorial Justice Assistance Grant - Recovery Act
CFDA 20.600	State and Community Highway Safety
CFDA 97.116	Port Security Grant Program – Recovery Act

Category

Compliance / Internal control

Compliance requirement

Reporting

Condition found

We performed procedures to identify the reporting requirements applicable to the PRP, obtained an understanding of the internal control, and determined the criteria and methodology used in compiling and reporting the data included in the applicable reports for each major program selected. After the performance of such procedures, we noted the following conditions:

CFDA 16.588 Stop Violence Against Women

During the review of the financial, performance and special reports submitted for this program to the Procurement for Woman Office of Puerto Rico (PWOPR), we noted the following conditions:

1. We requested copy of the inventory report of the program and evidence as of date of submission to the PWOPR. However, no evidence was provided to ascertain that such report was prepared and submitted to the PWOPR as of May 2011.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-09 REPORTING (CONTINUED)

Condition found (continued)

CFDA 16.588 Stop Violence Against Women (continued)

2. We requested copies of the Formative Evaluation Reports submitted to the PWOPR during the fiscal year ended June 30, 2011. After the examination, we noted that some reports were submitted late and others were not available for our examination, as follow:

Grant	Quarter Ended Reported	Due Date	Date Submitted	Days in Arrears
2009-WF-AX-0052	3/31/2011	4/10/2011	@	@
2009-WF-AX-0052	6/30/2011	7/10/2011	7/15/2011	5

@ - No evidence was provided for our examination that could indicate if the report was submitted before or after the submission date.

CFDA 16.738 Edward Byrne Memorial Justice Assistance Grant

During the review of the financial, performance and special reports submitted for this program to the Puerto Rico Department of Justice (PRDOJ), we noted the following condition:

3. From the sample of financial reports selected, the following report was submitted after its due date:

Grant	Quarter or Month Reported	Due Date	Date Submitted	Days in Arrears
2006-DJ-MUPPR-01	Oct-Dec 2010	11/10/2010	12/28/2010	48

CFDA 16.803 Edward Byrne Memorial Justice Assistance Grant – Recovery Act

During the review of the financial, performance and special reports submitted for this program to the Puerto Rico Department of Justice (PRDOJ), we noted the following conditions:

4. From the sample of financial reports selected, the following report was submitted after its due date:

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-09 REPORTING (CONTINUED)

Condition found (continued)

CFDA 16.803 Edward Byrne Memorial Justice Assistance Grant – Recovery Act (continued)

Grant	Quarter or Month Reported	Due Date	Date Submitted	Days in Arrears
2009-SU-PPRDC-01	Jan-Mar 2011	4/10/2011	4/15/2011	5

5. We requested copies of the Performance Measures Tools (PMT) reports submitted quarterly during the fiscal year ended on June 30, 2011. As per information provided for our review, we noted that the PRP submitted all the reports requested for the quarter ended on March 31, 2011 between the dates of June 21, 2011 and August 18, 2011, which were after the reports due date (April 10, 2011).

CFDA 20.600 State and Community Highway Safety

During the review of the performance reports submitted for this program to the Puerto Rico Transit Security Commission for the quarters ended on December 31, 2010 and March 31, 2011, we noted the following conditions:

6. After we examined the report for the quarter ended December 31, 2010, we noted that the statistical data reported corresponded to one of the three months of the quarter reported. The statistical data not included corresponded to the months of October and December 2010. A similar situation was noted in the report for the quarter ended March 31, 2011. The statistical data not included corresponded to the months of February and March 2011.
7. In the statistical information section of the report, line item 9 (“Otras Tareas Realizadas”) we noted the following differences when compared with the supporting documentation:

<u>Quarter Ended</u>	<u>Category</u>	<u>Total per Quarterly Report</u>	<u>Total as per supporting documents</u>	<u>Difference</u>
March 31, 2011	Drunkness	36	38	(2)
March 31, 2011	Speed Control	259	262	(3)
March 31, 2011	Other infractions	826	879	(53)
March 31, 2011	Seat Belt	174	199	(25)

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-09 REPORTING (CONTINUED)

Condition found (continued)

CFDA 20.600 State and Community Highway Safety (continued)

8. Also, the quarterly progress report for the quarter ended on December 31, 2011, was submitted on January 21, 2011, six (6) days after the report due date.

CFDA 97.116 Port Security Grant Program - Recovery Act

During the review of the financial, performance and/or special reports submitted for this program to the US Department of Homeland Security (DHS), we noted the following conditions:

9. The expenditures reported in the fiscal reports for the grant 2009PUR10327 did not agree with the accounting records. This condition was observed in the following quarterly fiscal reports:

Quarter reported	Grant	Expenditures and Obligations per Fiscal Reports		Expenditures and Obligations per Accounting Records		Difference	
		Expenditures	Obligations	Expenditures	Obligations	Expenditures	Obligations
6/30/2011	2009PUR10327	\$ 395,275.63	\$ 395,275.63	\$ 790,551.26	\$ -	\$(395,275.63)	\$395,275.63

10. We requested copy of the Semi-Annual Assistance Progress Report (SAPR) prepared for the period July 1, 2010 thru June 30, 2011 for the grant 2009PUR10327. However, no evidence was provided to ascertain that such report was prepared and submitted to the US Department of Homeland Security.

Criteria

Section 42 (e) (1) on Subpart C of the OMB Common Rule establishes that the awarding agency and the Comptroller General of the United States or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-09 REPORTING (CONTINUED)

Criteria (continued)

Section 40 (b) (2) on Subpart C of the OMB Common Rule establishes that Performance reports will contain, for each grant, brief information on the following: (i) A comparison of actual accomplishments to the objectives established for the period. Where the output of the project can be quantified, a computation of the cost per unit of output may be required if that information will be useful; (ii) The reasons for slippage if established objectives were not met; and (iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Section 42 (b) (2) on Subpart C of the OMB Common Rule establishes that if any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3 years period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3 years period, whichever is later.

The contract of award of funds with the Procurement for Woman Office of Puerto Rico establishes that grantees shall submit the following reports: a) Fiscal Monthly Report and Statistical Monthly Report on the tenth day following the end of the reporting month; b) Formative Evaluation Report on the tenth day following the end of the reporting quarter; c) Summative Evaluation Report on the tenth day after the end of the agreement or as required by the grantor; and d) an Annual Progress Report due January 10 and submitted annually. Also, it requires to submit inventory report of the equipment purchase with current and prior program funds awarded at the end of each semester, the due dates to submit the report during the months of June 2010 and May 2011.

In the special condition number 10 imposed by the Puerto Rico Department of Justice establishes that the subrecipient must prepare and submit Quarterly Progress Reports for the projects, and Monthly and Quarterly Financial Reports, detailed as follow:

<u>Report</u>	<u>Frequency</u>	<u>Due Date</u>
Governor Office	Monthly	The first day of the following month
ARRA 1512	Quarterly	July 5, October 5, January 5, April 5
SF-425	Quarterly	July 10, October 10, January 10, April 10
PMT	Quarterly	July 10, October 10, January 10, April 10

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-09 REPORTING (CONTINUED)

Criteria (continued)

Special condition number 12 imposed by the Puerto Rico Department of Justice establishes that for each project the PRP must submit a Final Financial Report (SF-425) to the PRDOJ Finance Division and a copy to the PRDOJ External Resources Division, 55 days after the end of the performance period of the agreement.

Clause number two (2) of the cooperative agreement with the Commission for Security of Transit of Puerto Rico (CSTPR) establishes that unless otherwise directed, applicants must submit quarterly reports to the CSTPR, which reflect the status of the project implementation and attainment of stated goals. Each progress report shall describe the project status quarterly and shall be submitted to the CSTPR no later than fifteen days subsequent to the termination of each quarter.

Sections 20 (b) (1) on Subpart C of the OMB Common Rule establishes that the financial management systems of other grantees and subgrantees must meet the following standard:

- i. Financial reporting - Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant

The Port Security Grant Program Guidance and Application Kit establishes that following an award, the awardees will be responsible for providing updated obligation and expenditure information on a semi-annual basis. The applicant is responsible for completing and submitting the SAPR reports. The SAPR is due within 30 days after the end of the reporting period (July 30 for the reporting period of January 1 through June 30; and January 30 for the reporting period of July 1 through December 31).

Effect

Noncompliance with the reporting requirements, the lack of adequate supporting documentation for the preparation of reports and generating the data could lead to significant administrative actions by the grantor, including reduction in amounts to be awarded. It could also be interpreted as a failure to achieve the programs objectives.

Questioned costs

None

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-09 REPORTING (CONTINUED)

Recommendations

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

- Establish policies and procedures to provide reasonable assurance that the PRP identifies, captures, and exchanges accurately the statistical data. Additionally, the PRP shall process and maintain electronically the statistical data to facilitate its analysis and maintain the corresponding audit trail. This would enable the PRP to maintain an information system capable of providing reliable processing of the performance information related to federal awards.
- Establish adequate policies and procedures to ensure that reports are submitted on or before their due dates.
- Establish adequate supervisory procedures in order to identify, in a reasonable period of time, deficiencies or possible deficiencies in the procedures or guidance established by management in order to ascertain that the PRP reports the information as required by grantors, accurately and on a timely manner.
- Maintain the information and establish recordkeeping procedures to prevent the loss of the documentation that support the information reported to grantors.

These procedures would enable the PRP to identify compliance with the goals established by the grantors or identify issues that could affect the PRP's compliance with the programs requirements as established in the grants or cooperative agreements.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-10 STATUS OF PRIOR YEAR FINDING

Federal programs

CFDA 84.397 State Fiscal Stabilization Fund – Government Services, Recovery Act

Category

Compliance

Compliance requirement

Special Test and Condition

Condition found

In the Single Audit Report for the fiscal year ended June 30, 2010, we reported in Finding No. 10-02 that as result of the disbursement test performed, the PRP charged to the State Fiscal Stabilization Fund expenditures based on an estimated amount rather than actual costs. The disbursement was related to the liquidation of excess sick leave accruals to approximately 11,000 officers and employees of the PRP.

To determine whether amounts claims were accurate, we selected a sample of 30 records. In one (1) case, we noted that the PRP started a process to recover from an officer an incorrect payment for excess accrued sick leave. The PRP was unable to provide for our examination an analysis to determine whether the total amount estimated and charged to the program was over or under the actual excess accrued sick leave as per the Human Resources records. Therefore, we were unable to determine the actual amount of questioned costs at the time of the issuance of the report.

During the current year's examination of the schedule of prior year findings and the supporting documents provided, we noted that the PRP performed a file review of such transactions. The result of such review was that the PRP made 470 unallowed payments related to the liquidation of excess sick leave, for the amount of \$191,625, as per certification provided of the review performed.

No evidence was provided to ascertain that such amount was recovered by the PRP and/or if the funds were returned to the grantor.

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-10 STATUS OF PRIOR YEAR FINDING (CONTINUED)

Criteria

Sections 20 (b) (3) and (5) to (6) on Subpart C of the OMB Common Rule establish that the financial management systems of other grantees and subgrantees must meet the following standards:

- i. Internal control - Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
- ii. Allowable cost - Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- iii. Source documentation - Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

OMB Circular A-87, Attachment A (C) 1, states the factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.

COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

FINDING NO. 11-10 STATUS OF PRIOR YEAR FINDING (CONTINUED)

Criteria (continued)

- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

OMB Circular A-87, Attachment A (C) 4a, states that applicable credits for receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs, shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate. Examples of such transactions are: purchase discounts, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

Effect

Above conditions could result in noncompliance with federal regulations and cost disallowances by the grantors. Also, the grantor entity or federal agencies could impose special conditions or restrictions to accessing federal funds.

Questioned costs

\$ 191,625 CFDA 84.397 State Fiscal Stabilization Fund – Government Services,
Recovery Act

Recommendation

We recommend the PRP to begin a process to recover and/or reimburse the respective federal program the disallowed amounts paid related to the liquidation of excess sick leave.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE DEPARTMENT
Summary Schedule of Prior Year Findings
YEAR ENDED JUNE 30, 2011**

Finding Number	Repeat in 2011	1st appear in year	Finding (Condition Found)	CFDA Number	Questioned Cost	Status	Management Corrective Action Plan	Compl. Date	Responsible Officer	Contact Number Ext.
2010-01	2011-03	2002	<p>ACCOUNTING RECORDS:</p> <p>1. PRIFAS accounting system deficiency.</p>	N/A	\$ -	In Process	<p>We are establishing new procedures to improve filing and document retrieval. The PR Treasury Department is in the process of evaluating a new accounting software. As part of the central government efforts, directors of all agencies were invited to few presentations. No results are been presented to PPR. The Finance Division will be doing efforts in coordination with other users of PRIFAS in order to minimize the delay in transactions posting at year end. ----Continuing in the same status</p>	Jul-12	Luis Fields (Finance Division)	3087
		2010	2. Expenditures of state funds exceed the budgeted amount.	N/A	\$ -	Completed	This lack of funds between budgeted and actual expenditure was as a result of the reduction of operating budget allocate to the Puerto Rico Police Department. The Budget Office of Puerto Rico Police Department had reported several communications through insufficient funds in its budget, specifically on the payroll to Office of Management and Budget of the government of Puerto Rico. The final insufficiency funds is ascending to \$18 million approximately, reported by the press SAG-OP-5-331 and the Puerto Rico Police Department are waiting for the deficiency is covered by the previously agreed.	Apr-11	Mildred Reyes (Budget Office)	3070
		2002	3. Filing procedures, communication & coordination.	N/A	\$ -	In Process	The Federal Proposal Office will be coordinating with the Budget Office in order to evaluate and determine the action plan. Efforts began May 2010 through meetings, evaluations of areas and processes, training and assignment of responsibilities and specific functions of each component in the process. REFER TO FINDING 10-04. ----Continuing in the same status	Jun-12	Wanda Rodriguez (Fed. Proposal Office) & Mildred Reyes (Budget Office)	3071, 3070, 3075
		2009	4. Recording of Federal Expenditures	N/A	\$ -	In Process	The Federal Proposal Office will be coordinating with the Budget Office and the Finance Division in order to evaluate and determine the action plan. Efforts began from May 2010 through meetings, evaluations of areas and processes, training and assignment of responsibilities and specific functions of each component in the process.	Jun-12	Wanda Rodriguez (Fed. Proposal Office) & Mildred Reyes (Budget Office)	3071, 3070, 3075, 3087
2010-02	2011-04	2010	<p>DISBURSEMENT TEST:</p> <p>A. Expenditures based on an estimated amount rather than actual costs.</p>	84.387	\$ -	Partially Completed	The Licensing Division has begun to reconcile the estimated payment versus the actual license file accumulated by each employee. Where the payment was greater the the real thing is proceed to notify and make the payment according to current regulations. The License Division shall issue a certification which indicates via the expenditures represent actual spending by the concept of excess accumulated sick leave at December 31, 2009.		Mabel Velazquez (Licensing Division)	
		2010	B. Expenditure amount charge the incorrect cost objective.		\$ -	Partially Completed	The Budget Office will coordinate with the Finance Office and the P.R. Treasury Department for the correction of the object of expenditure in the accounting records.	Feb-11	Mildred Reyes (Budget Office) & Luis Fields (Finance Division)	3070, 3087
		2010	C. Deficiencies in claimed the salary expense		\$ 38,985.00	Partially Completed	The deficiency is accepted. The Budget Office will coordinate with the Payroll Division and Project coordinators the correct classification of each member of the force under the federal program where it exerts its functions. This action will prevent members of the force are classified in a federal program to which they belong and will not seek reimbursement or incorrectly or duplicated in it. In relation to the questioned costs are not accepted. The Budget Office will proceed to contact "La Oficina de la Fortaleza" funds grantor agency for adjustment or reclassification of payroll cost or established by it. In addition, payroll expenditures were higher than cost claimed under the ARRA Funds.	Mar-11	Mildred Reyes (Budget Office)	3070

COMMONWEALTH OF PUERTO RICO
PUERTO RICO POLICE DEPARTMENT
Summary Schedule of Prior Year Findings
YEAR ENDED JUNE 30, 2011

Finding Number	Repeat in 2011	1st appear in year	Finding (Condition Found)	CFDA Number	Questioned Cost	Status	Management Corrective Action Plan	Compl. Date	Responsible Officer	Contact Number
2010-03	2011-07	2005	<p>PROPERTY AND EQUIPMENT:</p> <p>Deficiencies in the information required in the property records, annual inventory, disposal of equipment.</p> <p>A. Effective Property & Equipment System</p> <p>B. Physical Inventory</p>	\$	-	In Process	<p>The unit personnel are in process to evaluate all findings and determine corrective actions for each condition in order to ensure subsidiary (AS 400 and Ficta 2000) and other unit's updates. The Superintendent, June 3, 2010 through release OS-6-OPF-1-430 established the procedures and rules to follow according to the regulations.</p> <p>The PR Treasury Department is in process of evaluating new accounting software. As part of the central government effort, directors of all agencies were invited to few presentations. No results are been presented to PPR. However, the Property Division will be identifying corrective actions to coordinate with other units to receive and register (AS400) the real property location, funding information, acquisition date, etc. Also, The Motor Pool Division (Transportation) will be monitoring vehicles record (Ficta 2000) to ensure their condition is updated.</p> <p>The Property Division assigned Mrs. Zulma Sepulveda as Property In-charge immediately. In addition to, four resources will be requested to Human Resources to contribute in the system update and physical inspections required. A schedule of visits to all Agency units will be prepared to ascertain and monitor visits on an annual basis. Continuing in the same status, but the Property In charge is Mrs. Aracelis Pacheco.</p>	Jun-12	Wanda Rodriguez (Fed. Proposal Office)	3071
2010-04	2011-09	2002	<p>REPORTING:</p> <p>1. Reports submitted after its due date (late).</p> <p>2. Discrepancies in data reported.</p> <p>3. Unable to examine documents requested for review.</p>	14,850, 84,397	-	Partially Completed	<p>CFDA 14,850 - Public and Indian Housing</p> <p>The Federal Proposal Office through the Follow-up & Monitoring Section has established a Monitoring Procedure. Also have been educated and trained each Project Director with the implementation of the reports in the terms established in each Federal proposal. Since May of 2010, Follow-up & Monitoring section have concentrated their efforts in giving a comprehensive and constant monitoring reports required for the Agency is in compliance.</p> <p>CFDA 84,397 State Fiscal Stabilization Fund-Government Service Recovery Act</p> <p>The finding is not accepted. "La Oficina de la Fortaleza", grantor of funds instructed and distinguished from the requirement of reporting to the Puerto Rico Police Department. According to these, this decision was based on that the Police would receive a single assignment, with a defined purpose and completely spent. In place of the report, the grantor of the funds we request a certification which was filed on February 24, 2010. Later on August 13, 2010, in the process of monitors, "Fortaleza" requested the preparation of all reports and we were submitted as required. Present are written evidence to the auditor for their knowledge and evaluation.</p>	Aug-10	Mildred Reyes (Budget Office)	3070

CORRECTIVE ACTION PLAN

**TO BE PROVIDED UNDER
SEPARATE COVER**